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1. **Annual**—This section contains a review of what happened in the major segments of the beverage industry during the year. It includes charts and graphs detailing size of the industries, volumes, advertising expenditures, etc.

2. **New Products, Services, Literature**—This section details both new product marketing developments and the introduction of new equipment and services for the trade.

3. **Manual**—In charts and graphs, this material is operational in nature and gives the bottler production and formulation details available nowhere else. A directory of industry associations, franchise companies and brand names is also offered.

4. **Buyers' Guide**—Here the reader finds the industry's most complete directory of products and services. Complete addresses with telephone numbers of major suppliers are also given.

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Warm weather, new products boost per capita totals

After 1982's poor per capita results, 1983 marked a return to virtually across-the-board increases in beverage consumption. Helped considerably by a very warm summer, per capita beverage consumption increased an estimated 2.2%, according to a preliminary report by John Maxwell, **BI**'s director of research and statistics.

"The U.S. estimate is based on an unusually warm summer that contributed to per capita increases in soft drinks, bottled water, beer, wine, tea, juices, and juice drinks," says Maxwell.

Coffee, milk and distilled spirits did not gain in per capita consumption for the second consecutive year.

The report shows that soft drinks made the highest per capita jump, moving to 42.0 gallons from 40.1 in '82. In addition to warm summer weather, consumption was aided by an improving economy, and new caffeine free and aspartame-sweetened diet beverages.

The new segments appear to be attracting some new consumers for soft drinks, primarily the health-conscious drinker.

Although 1983 soft drink brand figures are not yet available, it is anticipated that diet beverages will approach 20% of totals. **Beverage Industry** also estimates that caffeine free colas will account for between 5%-10% of the total cola category.

The other big gainer, bottled water, sustained an increase of 22.7% in 1983, bringing its total per capita, consumption to 2.7, up from 2.2 gallons in 1982. One reason for this, Maxwell says, is because of consumer inclination to stay away from tap water.

Imputed water (tap water)

U.S. liquid consumption trends

(gallons per capita)

	1965	1967	1969	1971	1973	1975	1977	1978	1979	1980	1981	1982	1983E
Soft Drinks	20.3	23.5	25.9	28.6	31.5	31.0	35.9	37.1	38.1	38.8	39.5	40.1	42.0
Coffee	37.8	37.0	36.2	35.3	35.1	33.0	28.0	27.0	29.2	26.8	26.7	26.1	25.9
Beer	15.9	16.8	17.8	19.2	20.5	21.6	22.5	23.1	23.8	24.3	24.6	24.4	24.6
Milk	26.0	25.3	25.3	23.0	22.7	22.1	21.5	21.3	21.0	20.7	20.4	20.0	19.8
Juices	3.8	4.8	4.8	5.7	6.1	6.9	6.9	6.6	6.7	6.9	6.7	6.6	6.8
Tea	4.9	5.1	5.2	5.8	6.3	6.2	6.9	6.7	6.6	6.6	6.5	6.3	6.4
Powdered Drinks	NA	NA	NA	NA	NA	4.8	5.9	6.1	6.0	6.0	6.0	6.0	6.5
Wine	1.0	1.0	1.2	1.5	1.7	1.7	1.8	2.1	2.2	2.3	2.3	2.3	2.4
Bottled Water	NA	NA	NA	1.1	NA	1.2	1.3	1.4	1.5	1.6	1.9	2.2	2.7
Distilled Spirits	1.5	1.6	1.8	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.8
Subtotal	111.2	115.1	118.2	122.1	125.8	130.5	132.7	133.4	137.1	136.0	136.6	135.9	138.9
Imputed Water Consumption	71.3	67.4	64.3	60.4	57.6	52.0	49.8	49.1	45.4	46.5	45.9	46.6	43.6
Total	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**

Sources: USDA; DSI; USBA; ABWA; LBKL Research estimates

Copyright: John Maxwell, Beverage Industry, February 1984

dropped from 46.6 gallons in '82 to 43.6 last year, by far the largest decline of all beverages represented in the report. Maxwell feels that this is in large part the result of heightened consumer fear over municipal water filtering systems. The health-conscious consumers have also surfaced in the water area.

While the beer industry gained in per capita consumption in '83, none of the gains were particularly significant. Beer consumption was 24.6 gallons in '83, a minimal gain from 24.4 of the previous year, Maxwell said. He also says volume could have been flat or down had it not been for the extra hot summer

"People are moving away from alcoholic beverages across the board, including wine, beer and hard liquor," said Maxwell. "Alcoholics Anonymous is at a new high

Beverage consumption index by age

	0-5 Years	6-12 Years	13-19 Years	20-29 Years	30-39 Years	40-49 Years	50+ Years
Coffee	0%	1%	2%	14%	23%	37%	40%
Tea	9	14	20	24	19	20	19
Milk	37	31	26	12	8	7	8
Fruit juice/drink	19	13	9	7	6	6	8
Powdered soft drinks	14	16	10	3	3	3	3
Carbonated soft drinks	15	23	29	24	25	16	12
Alcoholic Drinks	0	0	2	14	14	9	9
All Other	6	2	2	2	2	2	1

Source: Beverage Marketing Corporation; Beverage Data Bank™ National Family Opinion Inc., S.I.P. Study 1981

U.S. population demographics

1980 - 1990 Population projection by age
(000)

	Total U.S.	North East	South	East Central	West Central	South West	West	Pacific
Total 1980	228,497.1	54,630.4	47,714.8	47,466.5	17,281.8	21,663.0	7,500.8	32,239.8
0 - 17	27.9%	26.4%	28.1%	28.7%	27.8%	29.5%	30.7%	27.1%
18 - 24	13.2%	12.7%	13.2%	13.3%	13.3%	13.9%	13.4%	13.7%
25 - 34	16.7%	16.2%	16.2%	16.5%	16.2%	17.1%	18.7%	18.4%
Total 1985	232,371.3	57,540.8	47,996.5	48,856 .1	17,493.4	21,087.7	7,240.6	32,156.2
5 - 14	14.2%	13.4%	14.4%	14.6%	13.8%	15.2%	15.3%	13.7%
15 - 24	16.5%	16.2%	16.5%	16.4%	16.6%	16.6%	16.7%	16.8%
25 - 34	17.0%	16.9%	16.7%	17.4%	17.2%	16.2%	18.1%	17.4%
Total 1990	243,004.6	59,272.9	50,789.7	50,511 .4	18,016.4	22,508.9	7,721.6	34,184.1
5 - 14	14.4%	14.2%	13.2%	15.3%	15.0%	15.6%	15.6%	14.4%
15 - 24	14.3%	13.7%	14.4%	14.7%	13.9%	14.7%	15.6%	14.4%
25 - 34	16.7%	16.9%	16.4%	17.3%	16.7%	15.2%	16.9%	17.3%

Source: Census Data Population Estimates - Series II-A
Beverage Marketing Corp.; Beverage Data Bank

Copyright: Beverage Industry
September 15, 1982

Population projections 1985-1990

	Total U.S.	North East	South	East Central	West Central	South West	West	Pacific
Total 1985	232,371.3	57,540.8	47,996.5	48,856.1	17,493.4	21,097.7	7,240.6	32,166.
5 - 14	32,826.2	7,674.0	6,891.6	7,105.5	2,432.8	3,214.1	1,104.4	4,402.
15 - 24	38,224.0	9,323.4	7,876.6	8,056.2	2,862.6	3,505.8	1,245.2	5,354.
25 - 34	39,476.7	9,663.6	7,985.5	8,501.9	2,994.1	3,420.0	1,273.4	5,638.
Total 1990	243,004.6	59,272.9	50,789.7	50,511.4	18,016.0	22,508.9	7,721.6	34,184.
5 - 14	35,090.1	8,394.4	6,702.6	7,702.9	2,656.4	3,507.2	1,211.2	4,915.
15 - 24	34,717.5	8,112.8	7,312.6	7,429.2	2,482.3	3,318.3	1,167.7	4,894.
25 - 34	40,560.3	9,935.6	8,287.3	8,653.2	3,044.2	3,396.7	1,327.0	5,916.

Source: Census Data Population Estimates - Series II-A
Beverage Marketing Corp.; Beverage Data Bank

Copyright: Beverage Industry
September 15, 1983

in registration, drunken driving laws are being passed and enforced, and higher minimum ages for drinking are discussed in most states. All of this attention has acted to lower consumption."

Wine up slightly

Maxwell estimates per capita wine consumption in 1983 to be 2.4 gallons, up 2.5%, with imports gaining 6% and domestic wine showing a 1.5% increase for the year.

One wine industry source says new positioning of domestic wine in ads contributed to this increase. For example, positioning wine as a beverage that would go great with chicken, pizza, tacos or any type of picnic food helped to increase consumption.

Juices and juice drinks—spurred in large part by the popularity and growing distribution of aseptic packages—appear to be back on the growth cycle. Maxwell estimates '83 per capita at 6.8 gallons, up from 6.6 in '82. Again, he points to the hot summer as the primary reason for the increase.

The effect of temperature also is evident in the tea segment. Per capita tea consumption was 6.4 gallons, up slightly from 1982's 6.3. Iced tea made up the bulk of the gain. Iced tea is 67.3% of total tonnage and was up some 3.4 million lbs. in '83. Hot tea, however, dropped to 32.7% of the total, while tonnage of tea rose to only about .5 million lbs. □

Estimated tea sales trends

(million lbs.)

	1978		1979		1980	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Iced Tea	106.18	68.5%	105.26	68.4%	106.16	68.1%
Hot Tea	48.82	31.5	48.74	31.6	49.84	31.9
Total	154.00	100.0%	156.00	100.0%	156.00	100.0%

	1981		1982		1983E	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
	105.06	67.3%	103.55	66.8%	106.96	67.3%
	50.94	32.7	51.45	33.2	52.04	32.7
	156.00	100.0%	155.00	100.0%	159.00	100.0%

Estimated wine consumption

(gallons per capita)

	1977	1978	Change	1979	Change	1980	Change
Domestic	1.510	1.726	14.3%	1.742	0.9%	1.806	3.7%
Imported	0.313	0.421	34.5	0.408	(3.1)	0.449	10.0
Total	1.823	2.147	17.8%	2.150	0.1%	2.255	4.9%

1981	Change	1982	Change	1983E	Change
1.847	2.3%	1.821	(1.4)%	1.848	1.5%
0.493	9.8	0.525	6.5	0.557	6.0
2.340	3.8%	2.346	0.3%	2.405	2.5%

Sources: USDA; DSI; USBA; ABWA; LBKL Research estimates

Copyright: John Maxwell, Beverage Industry, February 1984

SD sales vault 4.5% in '83

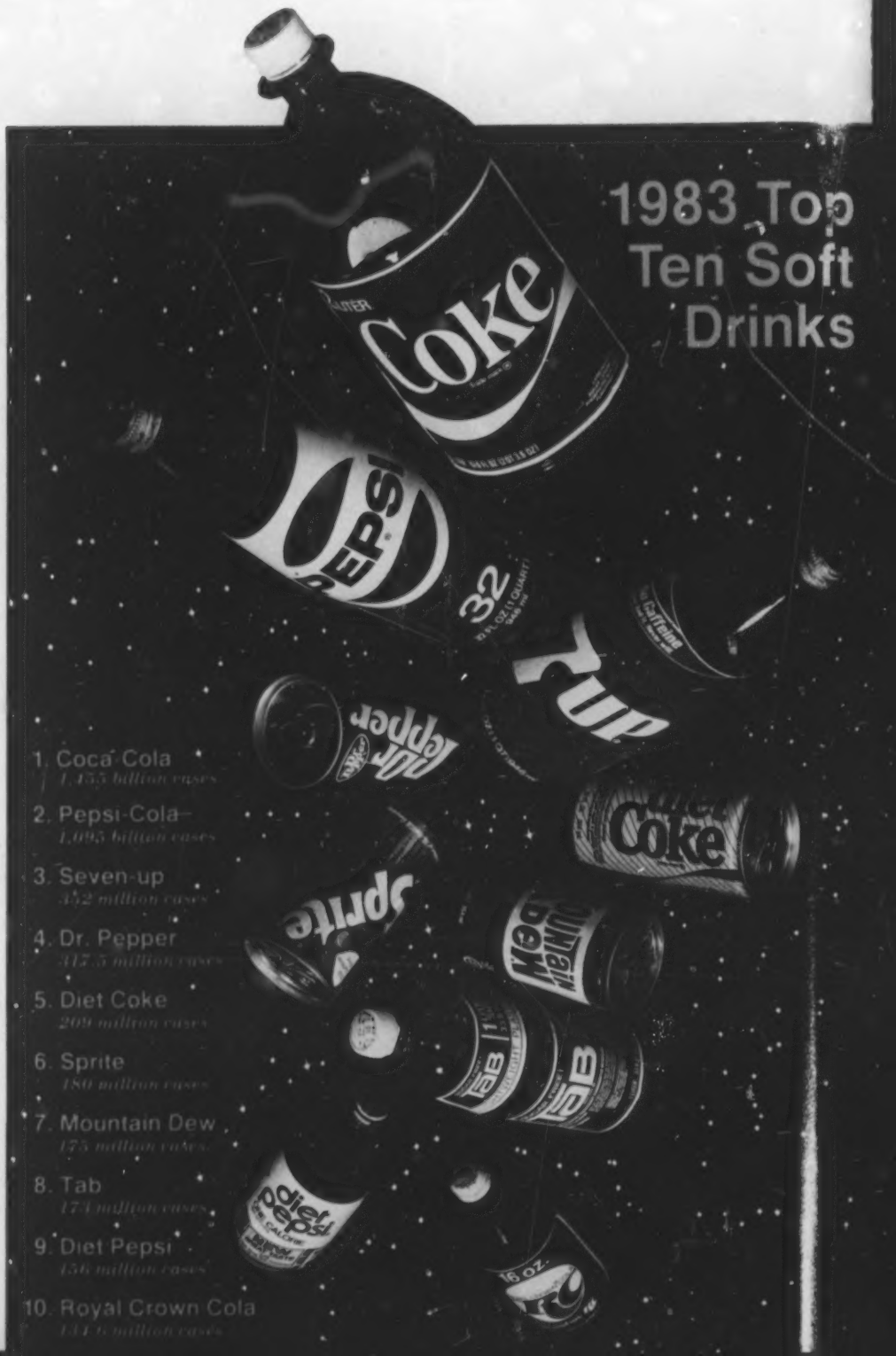
Boosted by a revived economy, hot summer and an apparently successful segmentation of diets and caffeine-free colas, the soft drink industry was up 4.5% in 1983, with an all-time high 6.48 billion cases sold, according to John C. Maxwell; **BI's** director of research/statistics.

The success of 1983 was a surprise to the industry, but it was a success that no one could really predict. Analysts had anticipated only flat or modest growth, more in line with the 2.6% rate of 1982. But the combination of the aforementioned factors changed all that.

First, the economy improved and consumers had more disposable income to purchase more soft drinks. Secondly, unusually hot weather also boosted sales.

Thirdly, new product introductions proliferated in 1983, including what Maxwell calls "the most successful new product introduction ever" in diet Coke, the fifth largest seller in '83 and probably now, at an annual rate, No. 4, Maxwell says. Other sources believe it may even be the third best-selling soft drink.

At the press conference proclaiming diet Coke as No. 3 brand, Brian Dyson, president of Coca-Cola USA, had this to say about the **Beverage Industry**/John Maxwell national brand rankings: "John Maxwell, the respected in-



Consumption of soft drinks by company

(each case contains 24 eight-oz. containers)

1979 Mil. Cases	1979 Pct. Market	1980 Mil. Cases	1980 Pct. Market	1981 Mil. Cases	1981 Pct. Market	1982 Mil. Cases	1982 Pct. Market		1983 Mil. Cases	1983 Pct. Market	1982-83 Change
								Coca-Cola Co.			
1,365.0	23.9%	1,425.0	24.3%	1,463.0	24.2%	1,478.0	23.9%	Coca-Cola	1,455.0	22.4%	(1.6)%
–	–	–	–	–	–	17.0	0.3	diet Coke	209.0	3.2	1,129.4
165.0	2.9	171.0	2.9	178.0	2.9	174.0	2.6	Sprite	180.0	2.8	
170.0	3.0	188.0	3.2	216.0	3.6	237.0	3.8	Tab	173.0	2.7	(27.0)
107.0	1.9	98.0	1.7	88.0	1.5	80.0	1.3	Fanta	71.7	1.1	(10.4)
38.0	0.7	50.0	0.8	53.0	0.9	50.0	0.8	Mello Yello	42.0	0.6	(16.0)
–	–	–	–	–	–	–	–	Caffein Free Coke	30.0	0.5	–
–	–	–	–	–	–	–	–	Caffeine Free diet Coke	30.0	0.5	–
43.0	0.8	39.0	0.7	34.0	0.6	29.5	0.5	Mr. Pibb	24.8	0.4	(15.9)
–	–	–	–	–	–	23.5	0.3	diet Sprite	20.0	0.3	–
–	–	–	–	–	–	–	–	Caffeine Free Tab	15.0	0.2	–
25.0	0.4	26.0	0.4	24.0	0.4	19.2	0.3	Fresca	12.0	0.2	(37.5)
23.0	0.4	25.0	0.4	26.0	0.4	26.0	0.4	Others	26.0	0.4	–
1,936.0	34.0	2,022.0	34.4	2,082.0	34.5	2,134.2	34.5	Total	2,288.5	35.3	7.2
								Pepsi Co, Inc.			
1,022.0	17.9	1,056.0	17.9	1,104.0	18.3	1,120.0	18.1	Pepsi-Cola	1,095.0	16.9	(2.2)
156.0	2.8	169.0	2.9	179.0	3.0	175.0	2.8	Mountain Dew	175.0	2.7	–
142.0	2.5	154.0	2.6	173.0	2.9	180.0	2.9	Diet Pepsi	156.0	2.4	(13.3)
–	–	–	–	–	–	–	–	Pepsi Free	95.0	1.5	–
–	–	–	–	–	–	20.0	0.3	Sugar Free Pepsi Free	65.0	1.0	225.0
24.0	0.4	24.0	0.4	29.0	0.5	30.0	0.5	Pepsi Light	25.5	0.4	(15.0)
15.0	0.3	15.0	0.3	14.0	0.2	10.0	0.2	Teem	10.0	0.2	–
18.0	0.3	17.0	0.3	16.0	0.2	15.0	0.2	Others	15.0	0.2	–
1,377.0	24.2	1,435.0	24.4	1,515.0	25.1	1,550.0	25.0	Total	1,636.5	25.3	5.6
								Dr Pepper			
311.5	5.5	323.0	5.5	326.0	5.4	315.4	5.1	Dr Pepper	317.5	4.9	0.7
62.9	1.1	69.1	1.2	79.5	1.3	81.5	1.3	Sugar Free Dr Pepper	73.9	1.1	(9.3)
–	–	–	–	–	–	–	–	Pepper Free	10.0	0.2	–
–	–	–	–	–	–	–	–	Sugar Free Pepper Free	10.0	0.1	–
374.4	6.6	392.1	6.7	405.5	6.7	396.9	6.4	Total	411.4	6.3	3.7
								Canada Dry Corp.			
56.7	0.9	60.2	1.0	63.2	1.1	68.0	1.1	Ginger Ale	76.0	1.2	11.8
20.7	0.4	27.0	0.5	33.0	0.5	29.2	0.5	Club Soda	32.1	0.5	9.9
						7.3	0.1	Seltzer	8.0	0.1	9.5
26.5	0.5	26.8	0.4	28.0	0.5	29.1	0.5	Tonic, Bitter Lemon	30.6	0.5	5.2
15.5	0.3	15.3	0.3	14.3	0.2	13.0	0.2	Barrelhead	10.8	0.2	(16.9)
5.0	0.1	4.0	0.2	4.2	0.1	3.4	0.1	Wink	2.7	–	(20.6)
38.0	0.7	31.0	0.5	25.0	0.4	21.0	0.3	Others	20.0	0.3	(4.8)
162.4	2.9	164.3	2.9	167.7	2.8	171.0	2.8	Total	180.2	2.8	5.4
57.0	1.0	54.5	0.9	44.0	0.7	38.5	0.6	Cott Corp.	35.0	0.5	(9.1)
31.0	0.5	30.0	0.5	31.6	0.5	31.7	0.5	Welch's	29.2	0.5	(7.9)
22.4	0.4	21.0	0.4	20.0	0.3	19.4	0.3	No-Cal	17.5	0.3	(9.8)
647.2	11.4	661.9	11.4	668.8	11.0	657.5	10.6	Grand Total	673.3	10.4	2.4
								Seven-Up Co.			
320.0	5.6	317.0	5.4	301.0	5.0	325.0	5.2	7-Up	352.0	5.4	8.3
63.6	1.1	64.0	1.1	70.0	1.2	79.0	1.3	Diet 7-Up	85.3	1.3	8.0
–	–	–	–	–	–	16.0	0.3	Like	24.0	0.4	50.0
10.0	0.2	9.0	0.2	8.0	0.1	6.0	0.1	Dixie Cola	4.5	0.1	(25.0)
–	–	–	–	–	–	–	–	Sugar Free Like	4.2	0.1	–
1.0	–	1.0	–	1.0	–	0.5	–	Howdy Flavors	0.3	–	(40.0)
394.6	6.9	391.0	6.7	380.0	6.3	426.5	6.9	Total	470.3	7.3	10.3
								Royal Crown Cos.			
159.0	2.8	166.5	2.9	149.0	2.5	144.0	2.3	Royal Crown	134.6	2.1	(6.5)
						33.6	0.5	RC100 Sugar Free	29.7	0.4	(11.6)
–	–	–	–	20.0	0.3	15.4	0.3	Regular	13.7	0.2	(11.0)
38.0	0.7	37.0	0.6	37.0	0.6	35.0	0.6	Diet Rite Cola	29.1	0.4	(16.9)
53.0	0.9	50.0	0.8	43.0	0.7	38.0	0.6	Nehi and Others		0.6	6.1
250.0	4.4	253.5	4.3	249.0	4.1	266.0	4.3	Total	247.4	3.8	(7.0)

Consumption of soft drinks by company (cont'd)

1979		1980		1981		1982			1983		
100.0	1.7	105.0	1.8	109.0	1.8	129.0	2.1	Shasta Beverages	128.0	2.0	(0.8)
								Sunkist			
35.0	0.6	76.0	1.3	88.0	1.5	96.0	1.6	Sunkist	98.0	1.5	2.1
–	–	2.0	–	10.0	0.1	20.0	0.3	Diet Sunkist	18.0	0.3	(10.0)
35.0	0.6	78.0	1.3	98.0	1.6	116.0	1.9	Total	116.0	1.8	–
								Moxie Inc. Monarch Co.			
19.0	0.3	18.0	0.3	17.0	0.3	17.3	0.3	Nesbitts	19.0	0.3	9.8
15.0	0.3	16.0	0.3	17.0	0.3	16.8	0.3	Frostie Root Beer	16.0	0.3	(4.8)
14.3	0.2	14.4	0.2	14.4	0.2	15.0	0.3	NuGrape	15.2	0.2	1.3
8.9	0.2	8.5	0.2	8.4	0.1	8.3	0.2	Sun Crest	8.0	0.1	(3.6)
2.2	–	2.2	–	2.2	–	2.3	–	Moxie	2.4	–	4.3
0.7	–	NA	–	NA	–	NA	–	Kickapoo	–	–	–
3.9	0.1	3.5	0.1	3.0	0.1	2.5	–	Mason's Root Beer	2.1	–	(16.0)
2.1	–	1.9	–	0.7	–	NA	–	Flavette	–	–	–
2.0	–	1.8	–	1.3	–	1.1	–	Dr. Wells	1.1	–	–
31.9	0.6	33.0	0.6	34.0	0.6	33.0	0.5	Other	32.8	0.5	(0.6)
100.0	1.7	99.3	1.7	98.0	1.6	96.3	1.6	Total	96.6	1.4	0.3
								Consolidated Chocolate Co.			
2.6	0.1	2.7	0.1	2.8	0.1	3.0	0.1	Chocolate Soldier	3.3	–	10.0
1.9	–	2.0	–	2.0	–	2.0	–	Choc-ola	2.1	–	5.0
1.4	–	1.4	–	1.4	–	1.4	–	Brownie	1.4	–	–
4.7	0.1	4.9	0.1	5.0	0.1	5.4	0.1	Other	5.6	0.1	3.7
10.6	0.2	11.0	0.2	11.2	0.2	11.8	0.2	Total	12.4	0.2	5.1
110.6	1.9	110.3	1.9	109.2	1.8	108.1	1.8	Grand Total	109.0	1.7	0.8
55.8	1.0	64.8	1.1	72.0	1.2	81.5	1.3	Cadbury Schweppes USA, Inc.	83.2	1.3	2.1
								Crush International			
54.8	1.0	56.8	1.0	59.1	1.0	65.0	1.1	Hires, Crush, etc.	68.0	1.0	4.6
8.2	0.1	8.5	0.1	8.7	0.1	9.5	0.1	Sun Drop	10.0	0.2	5.3
63.0	1.1	65.3	1.1	67.8	1.1	74.5	1.2	Total	78.0	1.2	4.7
47.6	0.8	53.8	0.9	64.0	1.1	70.5	1.1	Squirt Co.	75.4	1.1	7.0
								A&W Beverages			
37.5	0.7	40.0	0.7	41.1	0.7	42.6	0.7	A&W	44.6	0.7	4.7
16.5	0.2	18.0	0.3	19.9	0.3	21.9	0.3	Sugar Free A&W	21.9	0.3	–
54.0	0.9	58.0	1.0	61.0	1.0	64.5	1.0	Total	66.5	1.0	3.1
								Dad's Root Beer Company			
33.5	0.6	34.1	0.6	34.0	0.6	32.6	0.5	Dad's Root Beer	32.9	0.5	0.9
16.0	0.3	15.6	0.3	18.5	0.3	18.2	0.3	Bubble Up	18.7	0.3	2.7
6.5	0.1	6.7	0.1	6.8	0.1	6.9	0.1	Diet Dad's	7.1	0.1	2.9
56.0	1.0	56.4	1.0	59.3	1.0	57.7	0.9	Total	58.7	0.9	1.7
39.1	0.7	39.9	0.7	39.0	0.7	40.0	0.6	Double Cola Co.	40.5	0.6	1.3
23.9	0.4	22.1	0.4	25.2	0.4	29.8	0.5	Faygo	32.5	0.5	9.1
29.0	0.5	29.5	0.5	29.5	0.5	28.0	0.5	Frank's Beverages	28.0	0.4	–
11.6	0.2	13.9	0.2	16.9	0.3	19.1	0.3	Barq's	19.3	0.3	1.0
12.5	0.2	12.8	0.2	13.5	0.2	13.8	0.2	Cragmont (Safeway)	15.1	0.2	9.4
11.0	0.2	10.5	0.2	11.0	0.2	12.0	0.2	Chek (Winn-Dixie)	14.0	0.2	16.7
9.9	0.2	10.2	0.2	11.0	0.2	11.5	0.2	Big K (Kroger)	12.8	0.2	11.3
–	–	–	–	–	–	–	–	Seagram's	6.9	0.1	–
8.0	0.1	8.0	0.1	7.2	0.1	6.8	0.1	Cotton Club	6.4	0.1	(5.9
2.6	0.1	2.9	–	3.1	0.1	3.5	0.1	Yukon (A&P)	3.7	0.1	5.7
5,274.4	92.5	5,504.8	93.8	5,691.5	94.3	5,905.9	95.3	Total	6,210.0	95.8	5.1
425.6	7.5	370.2	6.2	343.5	5.7	294.1	4.7	Others	270.0	4.2	(8.2
5,700.0	100.0%	5,875.0	100.0%	6,035.0	100.0%	6,200.0	100.0%	Grand Total	6,480.0	100.0%	4.5

Copyright: John Maxw
Beverage Indust
April 19

dustry analyst, will probably show diet Coke to be the No. 5 brand in America when he publishes his 1983 industry statistics soon. We think that's incredible and we certainly agree with his analysis.

"Remember, diet Coke was only available to 31% of U.S. consumers in January, 1983. Fountain diet Coke wasn't even introduced until May of last year and is still on a strong growth trend.

"Diet Coke was the No. 5 soft drink in 1983. Fantastic!" he says.

Diet Coke was a shot in the arm to diet soft drink consumption, which also reached an all-time high, up to 17.3% total of the market and a 24% increase over '82 with 1,123 million cases sold in '83. Coke has the corner on that market with 40.9% of the total while Pepsi holds down 21.9%, Seven-Up 8% and Dr Pepper 7.5%.

While Coke has led in the diet category for years, it's never been stronger than it is right now. To reach that 40.9% share of the segment, Coca-Cola's diet brands, including Tab, Caffeine Free Tab, Fresca, diet Coke, Caffeine Free diet Coke and diet Sprite, increased in sales by 68% from 273.2 million cases in '82 to 459 million cases in '83, Maxwell reports.

To put diet Coke's influence in perspective, it was the only diet brand in the Coca-Cola stable that increased in sales in 1983, according to Maxwell. The other diet brands were either just introduced last year or decreased in sales. The huge growth of Coke's diet segment is due entirely to diet Coke.

In addition, diet Coke increased in sales by 192 million cases in '83; the industry's overall diet segment increased by 217.4 million cases. Diet Coke, then, was responsible for 89.7% of the growth of the diet category last year.

Certainly, aspartame, despite its controversial introduction, helped diet sales, but many analysts and industry leaders think the diet segment would have grown and will continue to grow without new sweetener developments or new product introductions.

Says one franchise company president: "Diets will continue to grow. The only thing that has ever interrupted their growth is the federal government. The public is very calorie conscious. NutraSweet is very important to diet colas because they tasted rotten without it."

Both diets and no-caffeines, but particularly diets, have been important factors in the growth of the industry. Compared to the industry's healthy 4.5% growth rate in '83, diets jumped 24%. Consider that without diet consumption included the industry would have dropped .8% in 1983.

Caffeine-frees

Caffeine-frees had a similar effect on the industry, although not as dramatic. Maxwell's report shows caffeine-frees grew 204% in '83, but the number is misleading because many of these products weren't rolled out until '83. Caffeine-free sales grew from 120 million cases in '82 to 365.7 million cases last year.

PepsiCo ruled this segment with its Pepsi Free brands, which now own 44% share of the caffeine-free market, accounting for sales of 160 million cases, which is more than the entire segment was in '82. This segment was responsible for 365.7 million cases or 5.6% of the entire soft drink market, according to Maxwell. "We feel it is running at a rate of 7%-8%," says Maxwell.

Roger Enrico, president and CEO, Pepsi-Cola USA, believes all these new product entries contributed to the growth of the industry. "If you are not bringing new products to the market place," he said in a recent speech, "then you are going to have relatively slow growth; the converse also being true in my opinion... I don't think we've even scratched the surface in terms of potential product innovation in the business."

One industry executive has downplayed these new product introductions, claiming they're not truly new products but spin-offs. "To call them pure new products is not totally accurate. They're still identifiable names. They provided the resource of the volume base by chopping up existing business," he says. While the acceptance of these new products has been good, it's probably at least another year off until the industry can establish to what degree these new products have cannibalized existing brands. If the top ten selling soft drinks are any indication, cannibalization definitely took place.

Top 10 brands

The top 10 were altered primarily by the appearance of diet Coke, but most of the other brands in the top 10 had either flat or negative growth rates.

Coca-Cola sold 1,445 million cases for a 22.5% market share and a 1.6% decrease over '82. Pepsi-Cola sold 1,095 cases for a 16.9% market share and a 2.2% decrease over '82. After that follows 7UP, Dr Pepper, diet Coke, Sprite, Mountain Dew, Tab, Diet Pepsi and Royal Crown Cola.

In the top 10 (see related story), only brands 7UP, Dr Pepper and Sprite increased sales. Coke, Pepsi, Tab, Diet Pepsi and Royal Crown were all down. Mountain Dew showed no change and diet Coke, of course, was a new entry.

Maxwell reports colas and lemon-limes increased market share in 1983 at the expense of pepper-type, orange, root beer and the "all others" category. Colas had 63.6% market share in '83 and lemon-lime had a 12.5% share. For both categories it represented a turn-around of sorts from 1982 when both lost share. Perhaps these numbers are a reflection of the intense discounting in the industry, making brand loyalty almost nonexistent. Certainly, it's the majors that consumers find on special in the supermarket from week to week and not the allied brands.

One industry executive who declined to be identified, downplayed the significance of this. "Consumer focus was on a whole number of new colas to try. A Tab drinker

Manufacturers of soft drinks

Approximate Number of Plants in United States as of July 31, 1984

State	1984	1983	1982	1981	1980	1979	1978	1975	1974	1973
Alabama	26	28	29	29	33	39	41	52	59	59
Alaska	4	4	4	4	4	4	4	5	6	6
Arizona	19	20	21	22	23	23	23	25	25	23
Arkansas	21	25	25	25	28	29	30	40	46	47
California	83	90	95	91	95	111	114	125	129	132
Colorado	17	17	17	18	21	24	24	32	36	34
Connecticut	28	28	29	29	31	37	37	39	46	47
Delaware	4	4	4	4	4	4	4	6	6	6
District of Columbia	—	—	—	—	1	2	1	1	1	1
Florida	37	37	39	45	49	57	59	68	81	84
Georgia	56	62	63	64	64	69	69	78	82	84
Hawaii	7	7	7	7	7	8	7	13	15	15
Idaho	11	11	12	14	14	14	15	15	14	14
Illinois	50	49	50	53	54	60	64	80	84	96
Indiana	40	40	40	43	46	47	48	64	72	76
Iowa	22	21	21	22	23	24	27	29	29	35
Kansas	21	22	22	23	25	28	30	30	32	33
Kentucky	35	35	35	36	38	41	44	52	53	54
Louisiana	28	30	30	38	39	41	42	46	47	46
Maine	13	14	16	15	17	18	18	20	22	23
Maryland	25	26	27	35	35	33	34	36	38	37
Massachusetts	39	39	41	40	54	60	61	70	73	74
Michigan	44	46	49	49	53	56	57	67	73	77
Minnesota	35	38	39	38	41	44	45	47	52	51
Mississippi	22	29	29	31	33	37	40	46	53	55
Missouri	35	35	35	40	45	45	48	61	65	69
Montana	17	18	18	18	17	19	20	20	21	22
Nebraska	20	21	21	24	24	25	26	26	28	28
Nevada	7	6	6	8	10	10	10	11	10	10
New Hampshire	9	8	8	9	9	10	10	10	12	14
New Jersey	32	32	36	37	37	38	45	55	70	73
New Mexico	14	15	15	17	19	20	20	22	25	25
New York	78	85	90	96	99	106	114	141	153	154
North Carolina	69	72	72	73	76	81	84	85	99	101
North Dakota	9	9	9	9	9	9	9	11	11	12
Ohio	58	59	61	66	70	71	77	84	99	101
Oklahoma	27	28	28	31	34	35	40	44	49	49
Oregon	23	25	25	24	25	27	27	31	31	31
Pennsylvania	94	101	104	117	125	129	133	171	190	193
Rhode Island	9	9	9	9	10	10	11	14	14	16
South Carolina	27	28	28	31	33	36	38	45	50	53
South Dakota	7	8	8	9	10	10	10	10	10	10
Tennessee	37	43	44	47	50	53	56	62	68	72
Texas	103	107	108	124	131	135	143	163	170	174
Utah	13	14	14	15	18	20	21	21	22	24
Vermont	4	5	5	6	5	5	5	6	6	7
Virginia	36	35	36	40	40	43	45	51	53	57
Washington	21	24	26	26	27	32	32	30	31	32
West Virginia	26	26	26	28	29	31	33	37	41	43
Wisconsin	55	59	62	62	68	74	77	92	102	104
Wyoming	5	5	5	6	7	8	7	9	9	9
TOTAL	**1522**	**1599**	**1643**	**1747**	**1859**	**1992**	**2079**	**2398**	**2613**	**2692**

National Soft Drink Association, 1101 16th Street, N.W., Washington, DC

NSDA production and consumption of soft drinks

Year	Total Value $ (Wholesale)	Total Cases (288 ounce)	Per capita (12 oz. containers)
1849	760,00	1,013,300	1.1
1859	1,415,000	1,886,700	1.5
1869	4,222,000	5,629,300	4.3
1879	4,742,000	6,332,700	3.0
1889	14,354,000	17,398,800	6.6
1899	23,269,000	25,854,450	8.1
1909	43,506,000	41,436,200	10.8
1919	135,341,000	112,784,100	25.6
1929	214,322,238	181,618,990	35.4
1939	316,690,917	321,997,120	59.1
1945	584,994,000	487,495,000	88.6
1946	617,168,000	514,307,200	88.2
1947	745,676,000	601,109,300	100.6
1948	835,157,300	673,242,500	109.6
1949	860,959,300	675,262,200	108.0
1950	876,532,600	667,834,300	105.3
1951	939,442,500	695,883,300	108.5
1952	1,019,295,000	755,033,300	116.0
1953	1,089,513,000	785,234,700	118.3
1954	1,166,605,000	784,449,300	116.1
1955	1,252,276,000	843,283,300	122.8
1956	1,308,000,000	880,809,300	125.9
1957	1,347,241,500	907,233,300	126.1
1958	1,427,463,500	906,326,000	124.3
1959	1,633,015,900	989,706,700	133.2
1960	1,698,025,600	984,362,700	128.0
1961	1,829,083,200	1,016,157,300	132.2
1962	2,001,016,800	1,111,676,000	142.3
1963	2,341,189,000	1,200,601,000	151.6
1964	2,533,167,000	1,299,060,000	161.9
1965	2,735,567,000	1,402,854,700	172.7
1966	3,175,980,000	1,568,391,300	191.3
1967	3,458,632,000	1,646,968,000	198.7
1968	4,165,552,000	1,851,356,700	221.1
1969	4,369,664,000	1,942,073,300	229.6
1970	4,799,784,000	2,064,423,300	241.9
1971	5,346,960,000	2,235,743,300	258.7
1972	5,683,820,000	2,360,944,700	270.9
1973	6,223,156,500	2,514,406,700	286.4
1974	7,827,131,000	2,532,007,300	286.3
1975	9,397,797,600	2,610,499,300	292.7
1976	10,375,167,000	2,952,474,700	328.7
1977	11,526,810,000	3,247,722,000	359.0
1978	13,344,588,000	3,490,000,000	382.7
1979	14,872,628,000	3,664,300,000	399.6
1980	17,676,648,000	3,816,575,000	409.6
1981	20,015,269,000	3,959,697,000	412.3
1982	21,156,140,000	4,065,815,000	416.5
1983*	**22,108,256,000**	**4,248,776,000**	**418.2**

Note: 1981 Resident Population 230,508,000 U.S. Department of Commerce, Bureau of the Census. For purposes of the report, all soft drink sales are converted to gallons and expressed in cases of 24 12-oz. containers. Prior to 1977 the standard case was 24 8-oz. containers. The change has been made to more accurately reflect the average size container.

*Beverage Industry estimate

Consumer expenditures for soft drinks at home by demographics

	% of All Households	Cola drinks, nondiet	Fruit Carbonated drinks, nondiet	Other Carbonated drinks, nondiet	Diet Carbonated fruit drinks	Noncarbonated fruit drinks	Powdered fruit drinks
Income							
Under $5,000	18.5%	9.0	10.0	10.0	7.5	7.5	8.5
$5,000-$10,000	20.0%	16.0	16.0	15.5	11.0	15.5	18.0
$10,000-$15,000	18.0%	20.5	19.0	19.5	15.5	18.0	18.0
$15,000-$20,000	15.5%	19.5	19.5	18.0	18.5	18.5	20.0
$20,000-$25,000	12.0%	15.0	14.5	16.0	19.5	17.0	16.5
$25,000-$30,000	7.0%	9.5	10.5	9.0	10.5	10.5	9.5
$30,000-$35,000	3.0%	4.0	4.5	4.0	6.5	5.0	3.5
$35,000 & Over	6.0%	6.5	6.0	8.0	11.0	8.5	6.0
Age of Head							
Under 25	9.0%	9.5	7.5	6.0	5.0	6.5	7.5
25-34	22.5%	29.0	22.5	22.0	24.0	29.5	31.5
35-44	15.5%	23.0	20.5	20.5	23.0	25.0	28.5
45-54	17.0%	20.0	21.5	21.5	23.5	21.0	16.5
55-64	15.5%	11.0	14.0	14.0	15.0	10.0	8.5
Over 65	20.5%	7.5	14.0	16.0	9.5	8.0	7.5
Household size							
One Person							
Under 35	9.5%	5.5	5.5	4.5	4.0	3.0	2.0
35 & Over	17.5%	4.5	8.0	8.5	7.0	4.0	4.5
Two	22.5%	21.0	26.0	28.5	27.5	18.0	15.0
Three	17.5%	20.5	19.0	17.0	19.5	17.5	15.5
Four	16.5%	23.5	19.0	20.0	20.5	27.0	30.5
5 or More	31.5%	25.0	22.5	21.5	21.5	30.5	35.0
No Children							
Head Under 45	19.0%	15.0	14.0	12.5	14.5	10.5	8.0
Head 45 & Over	42.5%	23.5	33.5	36.0	33.5	20.0	18.0
Children Present							
One	14.5%	20.0	18.0	16.0	17.5	19.0	15.0
Two	13.5%	21.5	18.0	19.5	18.5	24.0	26.0
Three	10.5%	20.0	16.5	16.0	16.0	26.5	33.0
Education of Head							
Some Grade School	19.0%	17.0	18.0	18.0	13.0	13.5	13.5
Some High School	15.5%	18.0	15.5	15.0	15.0	17.5	17.5
High School Grad.	30.5%	34.0	31.5	30.0	31.5	31.0	35.0
Some College	16.5%	15.5	17.0	17.5	17.0	17.5	17.5
College Grad or Higher	18.5%	15.5	18.0	19.5	23.5	20.5	16.5
Occupation of Employed Head							
Self Employed	6.5%	6.5	6.0	7.0	7.0	8.5	6.5
Professionals Tech.	11.0%	10.5	13.0	13.5	15.5	16.0	13.0
Mgrs./Admin.	9.0%	10.0	10.5	11.0	12.5	10.0	11.5
Clerical Sales Workers	10.0%	9.5	10.5	10.0	12.0	8.5	8.5
Craft Workers	11.0%	16.0	13.0	12.0	14.5	15.0	15.0
Operatives	10.0%	14.0	12.0	10.5	9.5	10.5	12.0
Other Employed	11.0%	13.0	12.0	11.5	8.0	12.0	12.5

Consumer expenditures for soft drinks at home by region

	% of All Households	Cola drinks, nondiet	Fruit Carbonated drinks, nondiet	Other Carbonated drinks, nondiet	Diet Carbonated fruit drinks	Noncarbonated fruit drinks	Powdered fruit drinks
Region							
North East	23.0%	22.0	22.5	37.5	30.0	27.5	19.0
North Central	26.5%	26.5	32.0	24.5	27.0	29.5	32.5
South	31.5%	38.5	22.5	22.5	24.0	27.5	28.5
West	19.0%	13.0	23.0	15.5	19.0	15.5	20.0
Total							
Central Cities	30.5%	29.0	32.0	30.0	30.0	28.5	27.5
Suburbs	38.5%	39.5	42.5	43.5	46.5	42.0	37.5
Others	31.0%	31.5	25.5	26.5	23.5	29.5	35.0
Population of One Million and Over							
Central Cities	17.0%	16.5	18.0	18.0	18.5	16.0	14.0
Other	25.0%	25.5	29.5	29.5	34.5	27.5	24.0
Population of Under One Million							
Central Cities	13.5%	12.5	13.5	11.5	11.0	12.5	13.5
Other	13.5%	14.0	13.5	14.5	12.5	14.5	13.5

SOURCE: The Conference Board

Soft drink industry advertising expenditures

	Unit Volume			Full-year advertising expenditures				
	Pct. of Full–Year market		1982-83	1982		1983		1982-83
	1982	1983	change	$ Mil.	Pct.	$ Mil.	Pct.	change
Coca-Cola								
Coca-Cola	23.9%	22.4%	(6.3)%	$ 44.9	17.4%	$ 37.5	11.7%	(16.5)%
Caffeine Free Coke	–	0.5	–	–	–	4.2	1.3	–
Diet Coke	0.3	3.2	*	3.3	1.3	17.2	5.4	*
Caffeine Free Diet Coke	–	0.5	–	–	–	3.7	1.2	–
Sprite	2.8	2.8	–	16.0	6.2	21.2	6.6	32.5
Diet Sprite	0.4	0.3	(25.0)	–	–	4.7	1.5	–
Tab	3.8	2.7	(28.9)	19.4	7.5	25.2	7.8	29.9
Caffeine Free Tab	–	0.2	–	–	–	–	–	–
Fanta	1.3	1.1	(15.4)	–	–	–	–	–
Mr. Pibb	0.5	0.4	(20.0)	0.5	0.2	0.2	0.1	(60.0)
Mello Yello	0.8	0.6	(25.0)	1.9	0.7	0.9	0.3	(52.6)
Fresca	0.3	0.2	(33.3)	0.6	0.2	–	–	*
Ramblin Root Beer	–	–	–	0.9	0.3	1.0	0.3	11.1
Others	0.4	0.4	–	0.5	0.2	3.9	1.2	*
Total	34.5	35.3	2.3	88.0	34.1	119.7	37.3	36.0
PepsiCo								
Pepsi-Cola	18.1	16.9	(6.6)	26.1	10.1	22.8	7.1	(12.6)
Diet Pepsi	2.9	2.4	(17.2)	13.5	5.2	20.6	6.4	52.6
Mountain Dew	2.8	2.7	(3.6)	8.4	3.3	8.4	2.6	–
Pepsi Light & Sugar Free	0.5	0.4	(20.0)	5.4	2.1	6.2	1.9	14.8
Pepsi Free & Sugar Free	0.3	2.5	*	4.2	1.6	23.0	7.2	*
Teem	0.2	0.2	–	–	–	–	–	–
Others	0.2	0.2	–	6.1	2.4	3.2	1.0	(47.5)
Total	25.0	25.3	1.2	63.7	24.7	84.2	26.2	32.2
Seven-Up (Philip Morris)								
7-Up	5.2	5.4	3.8	19.6	7.6	21.2	6.6	8.2
Diet 7-Up	1.3	1.3	–	7.8	3.0	11.9	3.7	52.6
Like	0.3	0.4	33.3	3.7	1.4	9.0	2.8	*
Sugar Free Like	–	0.1	–	1.0	0.4	2.3	0.7	*
Howdy Flavors	–	–	–	–	–	–	–	–
Dixie Cola	0.1	0.1	–	–	–	–	–	–
Others	–	–	–	0.1	–	0.3	0.1	*
Total	6.9	7.3	5.8	32.2	12.5	44.7	13.9	38.8
Dr Pepper								
Dr Pepper	5.1	4.9	(3.9)	10.0	3.9	6.0	1.9	(40.0)
Sugar Free Dr Pepper	1.3	1.1	(15.4)	4.5	1.7	3.5	1.1	(22.2)
Pepper Free	–	0.2	–	–	–	1.7	0.5	–
Sugar Free Pepper Free	–	0.1	–	–	–	0.9	0.3	–
Total	6.4	6.3	(1.6)	14.5	5.6	12.1	3.8	(16.6)
Canada Dry Corp.								
Ginger Ale	1.1	1.2	9.1	8.9	3.5	0.3	0.1	(96.6)
Club Soda/Seltzer	0.6	0.6	–	–	–	0.3	0.1	–
Tonic, Bitter Lemon	0.5	0.5	–	–	–	0.2	0.1	–
Barrelhead	0.2	0.2	–	0.1	–	0.1	–	–
Wink	0.1	–	*	–	–	–	–	–
Others	0.3	0.3	–	–	–	11.3	3.5	–
Total	2.8	2.8	–	9.0	3.5	12.2	3.8	35.6

Soft drink industry advertising expenditures (Cont.)

	Unit Volume			Full-year advertising expenditures				
	Pct. of Full–Year market		1982-83	1982		1983		1982-83
	1982	1983	change	$ Mil.	Pct.	$ Mil.	Pct.	change
Cott Corp.	0.6	0.5	(16.7)	–	–	–	–	–
Welch's	0.5	0.5	–	0.3	0.1	0.1	–	(66.7)
No-Cal	0.3	0.3	–	–	–	–	–	–
Royal Crown								
Royal Crown	2.3	2.1	(8.7)	6.2	2.4	4.0	1.2	(35.5)
RC100 (Regular & Sugar Free)	0.8	0.7	(12.5)	3.8	1.5	5.4	1.7	42.1
Diet Rite Cola	0.6	0.4	(33.3)	4.2	1.6	5.4	1.7	28.6
Nehl and Others	0.6	0.6	–	2.2	0.9	0.2	0.1	(90.9)
Total	4.3	3.8	(11.6)	16.4	6.4	15.0	4.7	(8.5)
Shasta Beverages (Consolidated Foods)	**2.1**	**2.0**	**(4.8)**	**6.1**	**2.4**	**6.1**	**1.9**	**–**
Sunkist (General Cinema)								
Sunkist	1.6%	1.5%	(6.3)%	$ 4.1	1.6%	$ 4.7	1.5%	14.6%
Diet Sunkist	0.3	0.3	–	2.0	0.8	2.5	0.8	25.0
Total	1.9	1.8	(5.3)	6.1	2.4	7.2	2.2	18.0
Schweppes	1.3	1.3	–	3.4	1.3	2.7	0.8	(20.6)
Crush International (P&G)								
Hires, Crush, etc.	1.1	1.0	(9.1)	6.2	2.4	5.8	1.8	(6.5)
Sun Drop	0.1	0.2	*	0.4	0.2	0.1	–	(75.0)
Total	1.2	1.2	–	6.6	2.6	5.9	1.8	(10.6)
Dad's Root Beer								
Dad's Root Beer	0.5	0.5	–	–	–	–	–	–
Diet Dad's	0.1	0.1	–	–	–	–	–	–
Bubble Up	0.3	0.3	–	–	–	–	–	–
Total	0.9	0.9	–	–	–	–	–	–
Squirt	1.1	1.1	–	0.6	0.2	0.5	0.2	(16.7)
A&W Beverages								
A&W	0.7	0.7	–	7.1	2.8	3.3	0.9	(57.7)
Sugar Free A&W	0.3	0.3	–	–	–	3.0	0.9	–
Total	1.0	1.0	–	7.1	2.8	6.3	1.8	(18.3)
Faygo	0.5	0.5	–	0.3	0.1	1.1	0.3	*
Frank's Beverages	0.5	0.4	(20.0)	0.4	0.2	0.4	0.1	–
Others	8.2	7.7	(6.1)	3.0	1.2	3.5	1.1	16.7
Grand Total	100.0%	100.0%	–	$257.7	100.0%	$321.2	100.0%	24.6%

* Not comparable.
Sources: Leading National Advertisers, Inc. and LBKL Research.

The second ten

Rank	Brand	Sales*	%/market	'82 vs. '83
11	Sunkist	98.0	1.5	+2.1
12	Pepsi Free	95.0	1.5	–
13	Diet Seven-Up	85.3	1.3	+8.0
14	Canada Dry Ginger Ale	76.0	1.2	+11.8
15	Sugar Free Dr Pepper	73.9	1.1	−9.3
16	Sugar Free Pepsi Free	65.0	1.0	+225.0
17	A&W Root Beer	44.6	0.7	+4.7
18	Mello Yello	42.0	0.6	−16.0
19	Canada Dry Club Soda	32.8	0.5	+9.6
20	RC 100 Sugar Free	29.8	0.4	−11.6

*in millions of cases

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now has a whole lot of choices, but you're eventually going to settle into one brand. All of this crowded out the allied brands and the effect will probably remain with us through this summer.

"Because of all the new products, the cola category is getting a shot in the arm in '83 and '84. Whether these no-caffeines and diet Coke will have a permanent influence on the industry, we won't know until the end of '84. It's too early to make a judgment, but if I was going to bet I would bet against it," he says.

While there is some confusion as to how all the new product entries will influence the industry over the next few years, there is no confusion about the success of '83. Parent companies are unanimous in their analyses of the year.

"We had a good year, but for everybody in the industry it was a difficult year," says Ed Shanks, president and CEO of the Double Cola Co. Shanks labels new product proliferation and price discounting as the main factors bringing about the growth of the industry.

"One of the things that benefited everybody was stable costs in areas like packaging and sugar. This allowed the industry to make profits despite discounting," he says.

The discounting game moved in a cyclical pattern. When the majors got involved, the others had to also. Says Shanks: "As much as I hate to admit it, both Coke and Pepsi have a higher brand awareness than we do. We had to discount."

While smaller companies, like Double Cola, did not get involved with the proliferation of new product to the degree that the majors did, they were certainly affected.

"We had to increase spending levels," says Shanks. "You get bottlers handling 30, 40 or 50 different products and you have to increase spending levels to keep your market share just from eroding."

Don Tassone, spokesman for Procter & Gamble's Crush brands and Hires Root Beer, says, "It's been a very good year for our brands, but we don't like to comment on sales figures. We expect further growth in '84 because of improved products, new marketing plans and an improved relationship with our bottlers."

Tassone says while a saccharin-sweetened, low-calorie Hires is on the market, P&G expects to introduce a NutraSweet reformulation within '84. In addition, Tassone says diet brands of Crush should also be introduced within the year using NutraSweet.

Also, 1983 proved an exciting year for mixers with the introduction of Seagram's mixers, which by the end of '83 had penetration in markets that accounted for over 22% of the mixer segment, according to Jerome M. Will, senior vp-Premium Beverages, a subsidiary of New York Coke and franchiser of the mixers.

"We should more than double that in '84," anticipates Will. According to Maxwell, the line sold 6.9 million cases in 1983.

"We really surprised ourselves with the success of the brand," says Will. "Every place we introduced it, the entire mixer category grew. Internally, we met all of our goals, and we're further ahead than expected in our five-year plan.

"Until last year, it's a category that's been kind of sleepy. Seagram's Mixers have brought about a blossoming of the potential of the market," adds Will.

Canada Dry also knew success in '83 with a 9.8% increase in sales in its mixers, while Schweppes grew slightly with a 2.1% increase, according to Maxwell. Ginger ale, the company's flagship brand, grew 11.8%.

Some private label firms, particularly supermarket beverage lines, enjoyed excellent years. Safeway's Cragmont was up 9.4%; Kroger's Big K jumped 11.3%; Winn-Dixie's Chek increased 16.7%.

An official from Winn-Dixie says that despite some successful new product introductions in '83 by the majors, he believes some private labels were successful because of consumer confusion caused by so many introductions into the softdrink market. "Companies like Winn-Dixie didn't get into that battle," he says.

What's ahead for '84? "The bottom line is that we feel it is going to be a particularly difficult year. Another good summer seems likely. The economic pick-up has occurred and the impact of new product introductions will probably wind down," says Maxwell.

He adds: "Thus, we would not be too surprised to see a relatively flat year domestically. Also, the fast-

Soft drink industry advertising expenditures in 1983

(¢ per Case)

	1982	1983	Change
Coca-Cola			
Coca-Cola	3.03¢	2.58¢	(14.9)%
Caffeine Free Coke	–	14.00	–
Diet Coke	19.41	8.23	(57.6)
Caffeine Free Diet Coke	–	12.33	–
Sprite	8.10	11.78	45.4
Diet Sprite	–	23.50	–
Tab	8.19	14.57	77.9
Caffeine Free Tab	–	–	–
Fanta	–	–	–
Mr. Pibb	1.69	0.81	(52.1)
Mello Yello	3.80	2.14	(43.7)
Fresca	3.12	–	*
Others	3.46	15.00	*
Co. Average	4.10	5.23	27.6
PepsiCo			
Pepsi-Cola	2.88	2.08	(27.8)
Diet Pepsi	7.50	13.21	76.1
Mountain Dew	4.80	4.80	–
Pepsi Light & Sugar Free	18.00	24.30	35.0
Pepsi Free & Sugar Free	21.00	15.33	(27.0)
Teem	–	–	–
Others	–	21.33	–
Co. Average	4.11	5.15	25.3
Seven-Up (Philip Morris)			
7-Up	6.06	6.02	(0.7)
Diet 7-Up	9.87	13.95	41.3
Like	30.00	37.50	25.0
Sugar Free Like	–	54.76	–
Howdy Flavors	–	–	–
Dixie Cola	–	–	–
Others	–	–	–
Co. Average	7.57	9.50	25.5
Dr Pepper			
Dr Pepper	3.17	1.89	(40.4)
Sugar Free Dr Pepper	5.52	4.74	(14.1)
Pepper Free	–	17.00	–
Sugar Free Pepper Free	–	9.00	–
Average	3.68	2.94	(20.1)
Canada Dry Corp.			
Ginger Ale	6.59	7.11	7.9
Barrelhead	0.77	0.93	20.8
Average	5.20	6.77	30.2

	1982	1983	Change
Welch's	0.95	0.34	(64.2)
Royal Crown			
Royal Crown	4.31¢	2.97¢	(31.1)%
RC100 (Regular & Sugar Free)	7.75	12.44	60.5
Diet Rite Cola	12.00	18.56	54.7
Nehl and Others	5.79	0.50	(91.4)
Co. Average	6.17	6.06	(1.8)
Shasta Beverages	4.72	4.77	1.1
Sunkist			
Sunkist	4.27	4.80	12.4
Diet Sunkist	10.00	13.89	38.9
Co. Average	5.26	6.21	18.1
Schweppes	4.17	3.25	(22.1)
Crush International			
Hires, Crush, etc.	9.54	8.53	(10.6)
Sun Drop	1.05	1.00	(4.8)
Co. Average	8.86	7.56	(14.7)
Squirt	0.85	0.66	(22.4)
A&W Beverages			
A&W	11.01	6.73	(38.9)
Sugar Free A&W	–	12.79	–
Co. Average	11.01	8.72	(20.8)
Faygo	1.01	3.38	*
Frank's Beverages	1.43	1.43	–
Others	2.91	0.70	*
Industry Average	4.16¢	4.96¢	19.2%

*Not comparable.

Sources: Leading National Advertisers, Inc. and LBKL Research

A decade of top tens

Top four remain the same; newcomers crack BI chart

Since 1973 there have been no changes in the top four brands in **Beverage Industry's** chart of top ten beverages, but all that might change next year. Diet Coke, a newcomer, made its first appearance on the chart in the number five position in 1983 and insiders say the brand is currently growing at a rate which could catapult it into the number three slot by the end of this year.

Mountain Dew, a shaky performer in recent years, is the other newcomer to crack the top ten in the past ten years. Purchased by Pepsi in 1964, the brand took off and made its first appearance on the top ten in 1975 when it edged out Canada Dry ginger ale for the number nine position.

Although Mountain Dew's sales were flat in 1983, the brand's sales today are more than triple what they were in 1975. It is the number two brand in Pepsi's stable.

Canada Dry Ginger Ale sales have been growing consistently in recent years (they're almost double what they were in 1973), but it dropped out of the top ten in 1976. This year the product is in the number 14 position.

A victim of the cola wars, Royal Crown Cola has been the only brand in the top ten which has lost sales over the past ten years. In 1973, RC was solidly ensconced in the No. 5 position and had been for years. While the company has been busy opening new segments via innovation, the brand's sales have dropped an average of 3 million cases or 1.8% per year over the past decade.

RC Company's total sales, however, still rank it in the fifth position.

Until the emergence of diet Coke, Tab was Coca-Cola's consistent winner in the top 10 diet sweepstakes. In 1982, the product was ranked fifth, a comfortable 57 million cases in front of Diet Pepsi.

That margin has dropped to 17 million cases and Tab was in the number eight position last year. Diet Pepsi has also suffered some cannibalization as the result of recent product segmentation and the diet Coke success. The product was in number eight position in 1973, but dropped to ninth this year due to the new competition entering the marketplace.

If diet Coke continues to perform as the prognosticators in Atlanta say it will, it could further shake up future top 10 listings next year. In addition, there are several brands seemingly poised to make their run for the elite listing.

Sunkist, for example, made the top 10 list three years ago, but was edged out in 1983. Its 98 million case sales is only 35 million short of the No. 10 spot. Pepsi Free, the leading caffeine-free and also an '83 newcomer, is in 13th spot with 95 million cases. Two others—Diet Seven Up and Canada Dry Ginger Ale—are also within striking distances of the top 10.□

growing aseptic packaging being used by the broad juice market should compete greatly with the soft drink market."

Another industry official says, "I think there will be a big shakeout and the effects of the new products will wind down. In fact, we'll probably see some of them disappear from certain markets. But first we'll probably see a disappearance of packages. If a brand doesn't move, bottlers will probably continue all but one package of the brand."□

The top ten: '73 vs. '83

			1973	1983			
Sales*	%/market	Brand	Rank	Rank	Brand	Sales*	%/market
1,190.0	26.7	Coca-Cola	1	1	Coca-Cola	1,455.0	22.5
777.4	17.4	Pepsi-Cola	2	2	Pepsi-Cola	1,095.0	16.9
317.7	7.1	Seven-Up	3	3	Seven-Up	352.0	5.4
208.7	4.7	Dr Pepper	4	4	Dr Pepper	317.5	4.9
165.0	3.9	Royal Crown	5	5	Diet Coke	209.0	3.2
97.0	2.2	Tab	6	6	Sprite	180.0	2.8
95.0	2.1	Sprite	7	7	Mountain Dew	175.0	2.7
60.3	1.4	Diet Pepsi	8	8	Tab	173.0	2.6
46.6	1.0	Canada Dry**	9	9	Diet Pepsi	156.0	2.4
44.0	1.0	Fresca	10	10	Royal Crown	134.6	2.1

*In millions of cases
**Ginger Ale

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Beer industry has modest bounceback, up 1% in '83

An extra hot summer coupled with a growing demand for imported, light and popular brand beers were attributed to the brewing industry's modest 1.0% increase in 1983 production.

Total volume reached 184.2 million barrels, compared with 182.4 million barrels in 1982. Domestic production was up 0.7% or 177.9 million barrels, compared to 0.4% or 176.6 million barrels the preceding year. The imported beer segment gained a healthy 8.0% over the previous year, up from 5.8 million barrels in 1982 to 6.3 million barrels.

The year also saw super premium and premium beer segments under pressure with continued market share losses in both areas. Major gainers continue to be the light and popular brands in addition to imports.

John Maxwell, **Beverage Industry's** director of research/statistics, believes had it not been for the extra hot 1983 summer, the domestic beer industry's volume could have been flat or down.

"We believe that people are moving away from alcoholic beverages —including wine, beer and liquor— across the board," says Maxwell. He adds that Alcoholics Anonymous is at a new high in registration, drunken driving laws are being enforced across the country, and on a brighter note, Maxwell points to the good increases shown by light and popular brand beers during the past year. Miller Lite has equaled the company's High Life brand in production, both with 18.0 million barrels last year. Anheuser-Busch's Bud Light has, meanwhile, moved up to replace Schlitz as the No. 10 brand. Coors Light also showed respectable growth during the past year, up from 2.7 million barrels in 1982 to 3.6 million barrels.

As a category, light brands increased from 32.4 million barrels, or 17.8% share of market, to 34 million barrels, or 18.5% share of market. Significant too, the category is considerably up from 1981

Brewers' estimated market shares

	1980	1981	1982	1983E
Anheuser-Busch	28.2%	30.0%	33.0%	33.5%
Miller	20.9	22.2	22.0	20.9
Stroh	13.9	12.9	12.8	13.4
Heileman	7.5	7.7	8.1	9.7
Coors	7.8	7.3	6.6	7.5
Pabst	11.9	10.5	9.8	7.3
Genesee	2.0	2.0	1.9	1.7
Schmidt	2.0	1.6	1.8	1.7
Pittsburgh	0.6	0.5	0.5	0.5
Others, Net*	5.2	5.3	3.5	3.8
Total	100.0%	100.0%	100.0%	100.0%

*Includes imports and excludes tax-free.

Source: Lehman Brothers Kuhn Loeb Research

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January 1984

Beer prices indices (Wholesale)

	1983	1984		1983	1984
Bottles			Cans		
January	194.4	205.1	January	195.4	201.9
February	201.1	206.3	February	195.3	206.0
March	199.9	207.9	March	197.8	205.7
April	206.1	213.1	April	198.4	207.1
May	206.9		May	200.8	
June	207.2		June	199.8	
July	207.3		July	201.8	
August	207.3		August	202.3	
September	205.1		September	203.4	
October	207.4		October	201.7	
November	205.5		November	200.9	
December	205.5		December	201.0	
12 Months	204.5		12 Months	199.9	

1983 Beer drinker demographics*

	Percentage of the population drinking					
	Domestic Beer	Light/ Low Calorie Beer	Imported Beer	Malt Beer	Ale	Draft Beer
All Adults	39.6%	24.4%	15.8%	8.3%	8.6%	26.2%
Males	54.0	28.6	22.0	11.0	12.0	35.6
Females	26.6	20.6	10.3	5.9	5.5	17.7
Age						
18-24	51.2	29.1	26.6	14.8	14.0	36.5
25-34	49.0	30.8	20.8	10.9	10.9	36.1
35-44	39.3	27.8	15.8	7.3	7.8	26.8
45-54	35.5	23.5	13.5	5.6	7.0	22.8
55-64	30.9	16.7	8.5	4.1	5.6	16.9
65 or older	23.4	13.0	4.6	4.3	3.8	9.8
Education						
Graduated college	47.5	32.2	28.0	6.0	12.4	36.3
Attended college	45.3	30.0	22.0	8.9	11.9	33.5
Graduated high school	38.4	23.9	13.6	8.4	7.8	25.8
Did not graduate high school	23.6	17.4	8.5	9.2	5.6	16.7
Employment						
Employed full time	46.2	30.2	20.4	9.0	10.5	33.2
Employed part time	36.7	24.9	17.7	8.0	9.0	26.5
Not employed	32.1	17.3	10.1	7.6	6.2	17.7
Professional/manager	48.2	32.8	27.14	7.4	12.8	37.0
Clerical/sales	38.6	29.8	17.6	7.3	9.2	29.2
Craftman/foreman	52.9	30.7	17.7	9.1	8.4	36.3
Other employed	44.3	25.5	16.2	11.5	9.6	28.9
Marital Status						
Single	50.8	28.5	29.0	14.9	14.5	36.5
Married	38.3	24.1	12.9	6.1	7.1	24.6
Divorced	30.7	20.2	11.0	8.7	6.7	19.6
Parents	41.0	26.5	14.5	8.8	7.7	27.9
Race						
White	39.8	24.9	15.8	6.1	8.4	27.4
Black	36.8	19.3	14.4	25.4	9.8	16.4
Other	42.0	27.6	25.6	12.7	7.5	27.6
Geographic						
Northeast	42.9	22.0	22.3	7.2	13.5	27.7
East Central	39.1	24.2	11.6	7.5	9.3	27.2
West Central	42.3	29.0	13.1	7.4	5.6	30.3
South	32.7	22.8	11.1	9.6	6.4	21.0
Pacific	45.1	26.1	22.3	9.5	7.8	28.4
Household Income						
40,000 plus	45.6	29.7	24.1	6.0	11.8	32.7
30,000 plus	44.2	28.8	22.5	6.0	10.7	32.0
25,000 plus	44.1	28.4	21.3	6.4	10.3	31.4
20,000–24,999	38.1	26.0	14.0	6.8	7.7	27.5
15,000–19,999	42.5	26.7	14.5	10.9	8.7	28.8
10,000–14,999	36.0	20.9	11.2	9.1	7.1	21.7
under 10,000	32.3	16.5	9.5	11.3	6.5	16.6

*Drank beer in the last 7 days

Source: Simmons Market Research Bureau, Inc. 1983 Study of Media and Services. Additional data is available from Simmons Market Research Bureau, 219 East 42nd St., New York, NY 10017, (212) 867-1414.

statistics of 9.0 million barrels in production and 4.7% market share.

The popular brands category showed a 1.2% increase over 1982 production figures, up from 36.7 million barrels to 39.3 million barrels. The category showed increases in A-B's Budweiser brand, up to 42.7 million barrels in 1983 from 40.6 million barrels in '82; Stroh's Schaefer, up from 2.5 million barrels in '82 to 3.9 million barrels in '83; and Old Milwaukee, up from 6.0 million barrels to 7.6 million.

In terms of individual companies, Coors increased its market share almost a full percentage point, due mostly to its aggressive rollout in the Southeast, according to Maxwell. This was the only domestic brewing company to raise share by this amount through internal growth. Coors' total 1983 production was 13.6 million barrels, compared to 11.9 million barrels in '82.

Heileman's basic products increased 0.6 in units, and with the addition of Pabst products, increased its share by over 1.5 points.

Anheuser-Busch maintained its No. 1 position with 60.5 million barrels produced in 1983, compared to 59.1 million barrels in 1982. A-B's share of market increased to 33.5%, compared to 33.0% the previous year.

Stroh, the third largest domestic brewer, also did well in '83 production with 24.2 million barrels compared to 22.9 million barrels the year before. Stroh increased its share of market from 12.8% in 982 to 13.4% the past year. A good portion of the company's growth came from Schaefer's Old Milwaukee and Old Milwaukee Light.

For the second consecutive year

Production by brand

(Mil. bbls.)

	1977	1978	1979	1980	1981	1982E
Anheuser-Busch						
Budweiser	25.0	27.0	30.0	33.9	37.8	39.6
Michelob	6.2	7.5	8.0	8.5	8.5	8.5
Busch	3.4	3.6	3.2	2.8	3.1	3.3
Michelob Light	–	1.0	2.0	2.6	3.2	3.2
Bud Light	–	–	–	–	–	3.1
Natural Light	1.9	2.5	3.0	2.4	1.9	1.3
Other	–	–	–	–	–	–
Total	**36.5**	**41.6**	**46.2**	**50.2**	**54.5**	**59.0**
Miller						
High Life	16.5	20.8	23.6	22.7	22.3	20.5
Lite	7.5	9.5	11.2	13.2	16.3	17.5
Lowenbrau	0.2	1.0	0.9	1.2	1.5	1.5
Other	–	–	0.1	0.1	0.3	0.4
Total	**24.2**	**31.3**	**35.8**	**37.2**	**40.3**	**39.9**
Stroh						
Stroh				5.7	5.5	5.4
Schaefer				3.6	3.0	2.6
Stroh Light				0.5	0.6	0.7
Goebel					–	0.4
Total	**10.2**	**9.6**	**9.8**	**9.1**	**9.1**	
Old Milwaukee	3.6	3.7	4.2	5.1	6.0	
Schlitz	3.0	10.5	7.5	5.7	4.2	
Schlitz Malt	1.8	1.9	2.3	2.5	2.6	
Old Milwaukee Light	–	–	–	–	0.8	
Schlitz Light	0.8	0.6	0.4	0.3	0.4	
Erlanger	–	–	0.4	0.6	0.1	
Other	0.4	0.1	0.2	0.2	0.1	
Total	**19.6**	**16.8**	**15.0**	**14.3**	**14.2**	
Grand Total	39.8	26.4	24.8	23.4	23.3	
Heilman*						
Old Style (Including Old Style Light and Export)				4.8	5.4	5.6
Blatz (Including Blatz Light)				1.3	1.5	1.7
Carling Black Label (Including Light)				.8	1.0	1.6
Colt 45				1.1	1.2	1.5
Schmidt/Raiher				1.6	1.7	2.0
All Others				3.4	3.2	2.1
Total				**13.0**	**14.0**	**14.5**
Pabst						
Pabst		12.7	12.3	11.2	9.6	8.8
Red, White & Blue		0.5	0.9	1.2	1.3	1.0
Olde English (Malt)		0.5	0.7	1.0	1.1	0.9
Blitz		0.3	0.5	0.8	0.5	0.6
Pabst Light		0.6	0.7	0.6	0.5	0.5
Jacob Best		–	–	–	–	0.4
Andeker		–	–	–	0.1	0.1
Other		0.8	–	0.3	0.3	0.2
Total		**15.4**	**15.1**	**15.1**	**13.4**	**12.5**
Coors						
Coors		12.1	11.3	11.4	11.2	9.1
Coors Light		0.5	1.6	2.4	2.0	2.8
Others		–	–	–	0.2	0.1
Total		**12.6**	**12.9**	**13.8**	**13.3**	**12.0**

*Revised

Source: Lehman Brothers Kuhn Loeb Research

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January 28, 1983

Beer industry advertising expenditures

	Unit Volume			Full-year advertising expenditures				
	Pct. of Full–Year market		1982-83	1982		1983		1982-83
	1982	1983	change	$ Mil.	Pct.	$ Mil.	Pct.	change
Anheuser-Busch								
A-B Natural Light	0.6%	0.6%	(33.3)%	$ 16.6	4.1%	$ 5.8	1.2%	(65.1)%
Budwseiser	23.6	23.7	5.2	47.3	11.6	60.4	12.2	27.7
Bud Light	2.0	2.1	12.1	35.6	8.8	49.3	10.0	38.5
Busch & Busch Bavarian	1.9	1.9	–	8.0	2.0	6.8	1.4	(15.0)
Michelob	3.9	3.8	(5.4)	26.2	6.4	33.7	6.8	28.6
Michelob Light	1.5	1.5	(6.9)	21.5	5.3	24.5	5.0	14.0
Wurzburger	–	–	–	0.1	–	–	–	–
Others	–	–	–	0.1	–	0.3	0.1	–
Total	33.5	33.6	2.4	155.4	38.2	180.8	36.5	16.3
Miller								
Lowenbrau	0.6	0.6	(21.4)	22.6	5.6	20.8	4.2	(8.0)
Miller High Life	10.0	10.0	(11.8)	48.4	11.9	51.6	10.4	6.6
Miller Lite	10.0	10.0	4.7	44.5	10.9	50.3	10.2	13.0
Meister Brau	0.2	0.2	–	–	–	11.2	2.3	–
Others	0.1	0.1	(66.7)	3.6	0.9	5.0	1.0	38.9
Total	20.9	20.9	(4.6)	119.1	29.3	138.9	28.1	16.6
Stroh								
Stroh	3.0	3.0	1.9	8.0	2.0	21.9	4.4	–
Schaefer	1.7	1.7	20.0	1.4	0.3	1.1	0.2	(21.4)
Stroh Light	0.4	0.4	16.7	4.1	1.0	10.8	2.2	–
Goebel	0.2	0.2	–	0.2	–	0.1	–	(50.0)
Others	–	–	–	–	–	0.2	–	–
Total	5.3	5.3	8.0	13.7	3.4	34.1	6.9	–
Old Milwaukee	4.2	4.2	26.7	4.4	1.1	14.4	2.9	–
Old Milwaukee Light	0.6	0.6	37.5	3.5	0.9	0.1	–	(97.1)
Schlitz	1.7	1.7	(26.8)	5.4	1.3	2.9	0.6	(46.3)
Schlitz Light	0.2	0.2	(25.0)	2.2	0.5	–	–	–
Schlitz Malt Liquor	1.4	1.4	–	3.2	0.8	2.7	0.5	(15.6)
Erlanger	–	–	–	0.1	–	–	–	–
Others	–	0.1	–	–	–	0.2	–	–
Total	8.1	8.2	5.0	18.8	4.6	20.3	4.1	8.0
Stroh Total	13.4	13.5	6.1	32.5	8.0	54.4	11.0	67.4
Coors								
Coors	5.4	5.4	7.7	13.1	3.2	18.3	3.7	39.7
Coors Light	2.0	2.0	33.3	5.9	1.5	10.2	2.1	72.9
Others	0.1	0.2	–	3.1	0.8	1.8	0.4	(41.9)
Total	7.5	7.6	15.1	22.1	5.4	30.3	6.1	37.1
Pabst								
Andeker of America	0.1	0.1	–	–	–	0.1	–	–
Pabst	4.3	4.1	(14.0)	6.7	1.6	16.1	3.3	–
Pabst Extra Light	0.2	0.1	(20.0)	0.8	0.2	–	–	–
Others	0.8	0.9	(51.6)	4.6	1.1	1.4	0.3	(69.6)
Total	5.4	5.2	(23.6)	12.1	3.0	17.6	3.6	45.5
Hamms & Light	1.1	1.1	–	2.1	0.5	6.4	1.3	–
Olympia	0.5	0.6	–	9.4	2.3	1.3	0.3	(86.2)
Olympia Golden Light	0.1	0.1	–	2.4	0.6	0.5	0.1	(79.2)
Others	–	0.1	–	–	–	0.4	0.1	–
Total	1.7	1.9	(34.6)	13.9	3.4	8.6	1.7	(38.1)
Pabst total	7.1	7.1	(26.9)	26.0	6.4	26.2	5.3	0.8

(Continued on page

Beer industry advertising expenditures (Cont.)

	Unit Volume: Pct. of Full-Year Market			Full-year advertising expenditures: 1982		1983		
	1982	1983	1982-83 change	$ Mil.	Pct.	$ Mil.	Pct.	1982-83 change
Heileman								
Old Style & Light & Export	3.2	3.2	3.6	3.4	0.8	4.7	1.0	38.2
Blatz & Light	1.0	1.0	5.9	1.2	0.3	0.8	0.2	(33.3)
Carling Black Label & Light	1.1	1.1	18.8	0.8	0.2	0.5	0.1	(37.5)
Colt 45	0.9	0.9	6.7	2.9	0.7	3.2	0.6	10.3
Schmidt/Rainer	1.3	1.3	15.0	1.6	0.4	1.9	0.4	18.8
Lone Star*	0.2	0.3	–	1.0	0.2	0.4	0.1	(60.0)
Others	2.2	1.9	81.0	5.0	1.2	7.6	1.5	52.0
Total	9.9	9.7	20.7	15.9	3.9	19.1	3.9	20.1
Genessee	1.7	1.7	(5.9)	5.4	1.3	7.5	1.5	38.9
Schmidt	1.7	1.7	(3.1)	1.6	0.4	4.6	0.9	–
Others	4.3	4.2	6.9	28.5	7.0	32.9	6.7	15.4
Grand Total	100.0%	100.0%	0.7%	$406.5	100.0%	$494.7	100.0%	21.7%

*During 1983, Lone Star was owned by Pabst for three months and by Heileman for nine months.
Sources: Leading National Advertisers, Inc. and LBKL Research.

Beer industry advertising expenditures
($ per Barrel)

	1982	1983
Anheuser-Busch		
A-B Natural Light	$11.07	$ 5.80
Budweiser	1.17	1.41
Bud Light	10.79	13.32
Busch & Busch Bavarian	2.35	2.00
Michelob	3.54	4.81
Michelob Light	7.41	9.07
Wurzburger	–	–
Co. Average	2.63	2.99
Miller		
Lowenbrau	16.14	18.91
Miller High Life	2.37	2.87
Miller Lite	2.59	2.79
Meister Brau	–	37.33
Co. Average	3.03	3.70
Stroh		
Stroh	1.48	3.98
Schaefer	0.56	0.37
Stroh Light	6.83	15.43
Goebel	0.67	0.33
Average	1.56	3.59
Old Milwaukee	0.73	1.89
Old Milwaukee Light	4.38	0.09
Schlitz	1.32	0.97
Schlitz Light	5.50	–
Schlitz Malt Liquor	1.23	1.04
Erlanger	1.00	–
Average	1.33	1.37
Co. Average	1.42	2.24
Coors		
Coors	1.44	1.87
Coors Light	2.19	2.83
Average	1.86	2.21
Pabst		
Andeker of America	–	1.00
Pabst	0.78	2.18
Pabst Extra Light	1.60	–
Others	1.48	0.93
Average	0.98	1.87
Hamms & Light	NA	3.37
Olympia	NA	1.30
Olympia Golden Light	NA	2.50
Average	2.67	2.53
Co. Average	1.49	2.05
Heileman		
Old Style & Light & Export	0.61	0.81
Blatz & Light	0.71	0.44
Carling Black Label & Light	0.50	0.26
Colt 45	1.93	2.00
Schmidt/Rainer	0.80	0.83
Lone Star*	–	1.33
Co. Average	1.10	1.09
Genessee	1.59	2.34
Schmidt	0 50	1.48
Others	3.96	4.27
Industry Average	$ 2.27	$ 2.74

Totals above consist of overall expenditures divided by total barrels sold.
NA = Not available.

continued

The top ten: light beers make big strides in '83

Production of Miller's Lite brand equaled that of the company's High Life brand in 1983. Although High Life and Lite retain their No. 2 and 3 positions, respectively, within the top 10 domestic beer brands, Lite production increased some 800,000 barrels during the past year, compared to High Life's 2.4-million barrel drop in production.

A not-so-surprising change in this year's list of top 10 beer brands was the removal of Schlitz as No. 10. What was perhaps more of a surprise was that it has been replaced by Anheuser-Busch's Bud Light, which rolled out some 3.7 million barrels in 1983.

A-B's Budweiser brand remained at the top of the list with an increase of 2.1 million barrels over 1982 production, or 42.7 million in 1983, compared to 40.6 million barrels in '82.

Coors moved up in both production and market share while retaining its No. 4 position. Coors products now hold 5.3% market share with 1983 production at 9.8 million barrels, compared to 4.9% market share in 1982.

1983 top ten brands

Rank	Brand	Market share
1	Budweiser	23.1%
2	Miller High Life	9.7
3	Miller Lite	9.7
4	Coors	5.3
5	Pabst	4.1
6	Old Milwaukee	4.1
7	Michelob	3.8
8	Old Style	3.1
9	Stroh	2.9
10	Bud Light	2.0

Old Milwaukee and Michelob brands swapped places as the No. 6 and 7 brands, respectively. Old Milwaukee increased market share and production last year to 4.1% and 7.6 million barrels compared to 3.2% and 6 million barrels in 1982. Milwaukee dropped from 4.6% to 3.8% market share and from 8.5 million barrels to 7.0 million barrels during the two-year period.

Old Style, No. 8, maintained its 3.1% market share, increasing volume only 200,000 in 1983. Stroh, in the No. 9 position, held its 2.9% market share. □

No. 2 Miller dropped in both production and share of market. Production was at 37.7 million barrels, compared to 39.3 million barrels in 1982; market share declined to 20.9% in 1983 compared to 22.0% in '82.

Anheuser-Busch has indicated it will make its Busch and Natural Light brews into fighting brands during the coming year, according to Maxwell. This, he points out, will add to industry competition, and could have adverse ramifications for some smaller companies.

Miller's introduction of Meister Brau as a popular-priced product could further compound the situation, says Maxwell, as could a national rollout of Maxx, the popular-priced beer being tested by Pabst.

New product launches during 1984, Maxwell projects, will be led by A-B, which appears to be examining another super premium and a malt product, in addition to a couple of other possible entries.

"All in all, this should make the domestic market very competitive and active, which could stimulate 1984 demand to some extent," he says. □

Estimated malt liquor sales volume

(000 barrels)

	1972	1976	1979	1980	1981	1982	1983E
Schlitz (Schlitz)	700	1,500	1,900	2,300	2,500	2,600	2,600
Colt 45 (Heileman)	1,050	1,400	1,000	1,100	1,200	1,500	1,600
Olde English (Pabst)	–	–	750	1,000	1,100	900	1,000
Champale (Iroquois)	285	400	900	900	650	600	500
Mickey's (Heileman)	–	–	–	–	400	500	500
Country Club (Pearl)	700	500	300	200	200	–	–
Magnum (Philip Morris)	–	–	–	–	200	300	200
Malt Duck (Heileman)	–	100	100	100	75	100	100
Bud Malt (Anheuser-Busch)	200	–	–	–	–	–	–
900 (Pearl)	–	–	–	–	50	–	–
Subtotal	**2,935**	**3,900**	**4,950**	**5,600**	**6,375**	**6,500**	**6,500**
All Others	250	150	50	50	50	50	50
Total	**3,185**	**4,050**	**5,000**	**5,650**	**6,425**	**6,550**	**6,550**

Source: Lehman Brothers Kuhn Loeb Research

Copyright: Beverage Industry and John Maxwell January 1984

1983, a year of growth for U.S. wineries

Overall, 1983 was a year of growth for the U.S. wine industry. Shipments increased an estimated 2.4%, accounting for a total of approximately 560 million gallons, according to John C. Maxwell, director of research/statistics for **Beverage Industry.**

California's volume rose 1.1% buoyed by the inclusion of wine coolers. The tremendous success of wine coolers, particularly California Cooler, a combination of wine with carbonated citrus flavorings, inflated California shipment figures. In 1983, California Cooler Inc. held 80% of the wine cooler market and had sales of approximately 5.4 million gallons versus 400,000 gallons in 1982.

Other states increased shipments by 1.1% to add to the year's increase, while shipments of imported wine to the U.S. rose 7.2%. Foreign imports now account for 23% of the market, up from 22.2% in 1982.

Per capita consumption of wine in the U.S. was up in 1983, with preliminary figures showing 2.41 gallons per person. The unusually warm summer and popularity of wine coolers aided the growth in wine consumption.

E&J Gallo, the number one-ranked producer by a wide margin, increased production by 6% and increased its share of the market from 24.7% in 1982 to 25.7% in 1983. Number two-ranked RJR's Heuberlein wine operations experienced a shipment decline of 16.9%, and lost over 1.5% of its market share. Last September, Heuberlein shed its lower-priced domestic wine brands, retaining chiefly Inglenook Wines, which in fact increased shipments 1.9%.

Most rankings remained unchanged from 1982, although Franzia fell from seventh to ninth place, as Monarch and Guild moved up to seventh and eighth.

1983 saw a decline in the advertising dollars spent in the wine industry; from $160.5 million in '82 to $128 million, for a 20.2% decline. The recent aggressive discounting in the domestic market left fewer dollars to spend on advertising. In addition, Coca-Cola halted advertising for The Wine Spectrum operation during its sale to Seagram. The 1983 decline is the first slowdown in advertising after a decade of aggressive spending.

Domestic wine marketers are expected to have a rough time for at least the next two years, in part due to the strength of imports. Imports gained a full share point in 1983, and account for 23.2% of all wine consumed in the U.S. Strong foreign performance is accounted for by European producers subsidized by their governments. "A strong dollar and weak foreign currencies resulted in import wines becoming competitive in the U.S. market," remarked Marshall Newman, spokesman for the Wine Institute.

The large crop expected in '84 will hurt growers, but the two million legal-age consumers added to the market each year is expected to help. Consumer response to wine introductions will be vital, since much of the U.S. market remains untouched with about half of the wine consumed in this country is accounted for by 4% of the population. Newman doubted the exactitude of this figure, but theorized, "Since the end of prohibition, we have been undergoing a re-education process with consumers about wine and its enjoyment with food."

Figures for the first quarter of 1984 report that shipment of California wine total 83.3 million gallons, up 0.6% from the same period one year ago. Shipments of table wine rose slightly to 65.8 million gallons, up 0.1%. Vermouth and other special natural (flavored) wines showed the largest gain, at 9.1 million gallons, up 20.9%.

Other market segments were off, with shipments of California wine down 9.9% and appetizer and dessert wines continuing their recent pattern of declining shipments, at 4.4 million gallons, down 14.8%. □

California Growers has begun to use 4-L Kodapak® PET jugs for its Jean Escalle and LeBlanc brands of wine because of its break resistance, appearance and reduced freight costs.

Estimated sales and market shares in the domestic wine market

(Mil. Gallons)

Rank 1982	Rank 1983		1978 Amount	1978 % Total	1980 Amount	1980 % Total	1982 Amount	1982 % Total	1983 Amount	1983 % Total	1982–83 Change
1	1	E&J Gallo	106.0	22.2	119.3	23.3	135.2	24.7	144.0	25.7	6.5
2	2	Heublein	54.7	11.5	51.9	10.1	47.5	8.7	39.5	7.0	(16.8)
3	3	Wine Spectrum+	13.2	2.8	22.2	4.3	31.6	5.8	32.0	5.7	1.3
4	4	Almaden	25.7	5.4	31.7	6.2	28.4	5.2	26.6	4.7	(6.3)
5	5	Canandaigua	14.8	3.1	13.6	2.7	17.6	3.2	18.9	3.4	7.4
6	6	Paul Masson+	13.2	2.8	16.3	3.2	15.9	2.9	17.9	3.2	12.6
8	7	Monarch	11.7	2.5	12.4	2.4	12.6	2.3	12.8	2.3	1.6
9	8	Guild	11.4	2.4	12.3	2.4	10.9	2.0	11.1	2.0	1.8
7	9	Franzia	10.3	2.2	18.2	3.6	15.7	2.9	10.6	1.9	(31.2)
10	10	Sebastiani	8.7	1.8	10.0	2.0	7.2	1.3	6.5	1.2	(9.7)
-	11	California Cooler	–	–	–	–	0.4	0.1	5.4	1.0	*
12	12	Gibson	2.6	0.5	4.5	0.9	3.9	0.7	4.0	0.7	2.6
18	13	Mogen David	9.4	2.0	5.0	1.0	4.5	0.8	4.0	0.7	(11.1)
11	14	Beringer	3.4	0.7	3.3	0.6	4.1	0.7	3.8	0.7	(7.3)
14	15	C. Mondavi	4.9	1.0	5.0	1.0	3.5	0.6	3.7	0.7	5.7
16	16	Lamont	2.5	0.5	3.2	0.6	3.0	0.5	3.5	0.6	16.7
23	17	Robert Mondavi	1.7	0.4	1.3	0.3	1.3	0.2	3.5	0.6	169.2
13	18	Christian Bros.	6.2	1.3	5.0	1.0	3.7	0.7	3.3	0.6	(10.8)
15	19	Bronco	2.9	0.6	3.4	0.7	3.3	0.6	3.3	0.6	–
19	20	Guimarra	1.4	0.3	2.2	0.4	2.2	0.4	2.4	0.4	9.1
17	21	Delicato	0.6	0.1	2.0	0.4	2.6	0.5	2.2	0.4	(15.4)
20	22	Weibel	1.3	0.3	1.6	0.3	1.8	0.3	1.9	0.3	5.6
21	23	F. Korbel	0.6	0.1	0.9	0.2	1.5	0.3	1.8	0.3	20.0
22	24	Wente	1.5	0.3	1.7	0.3	1.3	0.2	1.5	0.3	15.4
25	25	Sonoma	1.0	0.2	1.4	0.3	1.1	0.2	1.0	0.2	(9.1)
33	26	Sierra Wines‡	2.5	0.5	1.2	0.2	–	–	0.8	0.1	–
26	27	Mirassou	0.7	0.1	0.8	0.2	0.8	0.1	0.7	0.1	(12.5)
27	28	San Martin	0.5	0.1	0.6	0.1	0.7	0.1	0.7	0.1	–
29	29	Louis Martini	0.7	0.1	0.7	0.1	0.6	0.1	0.6	0.1	–
31	30	M&H	0.1	–	0.3	0.1	0.5	0.1	0.5	0.1	–
24	31	East-Side	1.8	0.4	1.4	0.3	1.1	0.2	0.4	0.1	(63.6)
30	32	California Growers	3.0	0.6	1.2	0.2	0.5	0.1	0.4	0.1	(20.0)
28	33	Brookside	0.9	0.2	1.0	0.2	0.6	0.1	0.3	0.1	(50.0)
32	34	Pacific Land & Viticulture§	0.1	–	0.2	–	0.1	–	0.1	–	–
–	–	Concannon§	–	–	–	–	–	–	0.1	–	–
–	–	Filice	–	–	–	–	–	–	–	–	–
Subtotal			**319.8**	**67.0**	**355.8**	**69.5**	**365.7**	**66.8**	**369.9**	**66.0**	**1.1**
Other Domestic			63.6	13.3	54.3	10.6	60.2	11.0	60.5	10.8	0.5
Total Domestic			**383.4**	**80.4**	**410.1**	**80.1**	**425.9**	**77.8**	**430.4**	**76.8**	**1.1**
Imports			93.6	19.6	102.1	19.9	121.5	22.2	130.2	23.2	7.2
Total			**477.0**	**100.0%**	**512.2**	**100.0%**	**547.4**	**100.0%**	**560.6**	**100.0%**	**2.4%**

+Both Masson and Wine Spectrum are now owned by Seagram. Their combined 1983 volume was the second largest in the industry.
*Not comparable.
‡As of 1982, Sierra Wine Co. includes Perelli-Minetti.
§Concannon transferred its accounts to Pacific Land & Viticulture in 1982 and re-emerged as Concannon in 1983.

Copyright: Beverage Industry and John Maxwell

Distilled spirits down 1.6% in '83

Once again, as expected, the distilled spirits industry slid downward in 1983 with roughly a 1.6% volume decline, compared to the 3.2% decline of 1982, according to John C. Maxwell, **Beverage Industry's** director of research/statistics.

Only liqueurs/cordials, rum, brandy, tequila, American-bottled Canadian and some specialty items enjoyed success in '83. Domestic whiskey declined 5.3% and imported whiskey was off 1.3%, with an overall 3.2% drop. Non-whiskey distilled spirits sales were down .2%.

"If the economy continues at its current pace, we expect domestic sales to eventually flatten," reports Maxwell. "Our current 1984 outlook is for a continued overall decline in domestic liquor sales, particularly in the brown packaged goods group, although at a lesser rate than in 1983."

Maxwell points to the following three factors as having an adverse effect on sales in 1983:

- High excise taxes at the state level;
- Laws that raised the drinking age in some states;
- Lag factor of the industry, which has prevented it turning around as fast as other areas of the economy.

In addition, Maxwell notes four other factors that will be of concern to the industry in years to come:

- Potential for more tax increases. A federal tax increase is a possibility and at least five more states have proposed tax increases for years to come;
- Continued lobbying of various consumer groups attempting to establish a national law that would make the drinking age 21, plus other activities by groups such as MADD (Mothers Against Drunk Driving);
- Labeling and advertising restrictions;
- And, increasing health consciousness and concern adverse affect on sales.

Maxwell emphasizes the health-consciousness of American consumers as one of the prime problems for the industry now and in the future. He sees consumers shifting to lighter drinks such as white liquors mixed with fruit juices, or even entirely away from alcohol.

There was some shifting of the top selling brands in '83 compared to '82. While Bacardi retained its top position, its sales were off 1.6%. Smirnoff and Seven Crown

Consumption by class and type

(million mixed cases)

	1982	1983	Change
Bond	0.73	0.64	(12.3)%
Straight	21.02	20.07	(4.5)
Total Bourbon	21.75	20.71	(4.8)
Blended	13.20	12.40	(6.1)
100% Light	0.19	0.17	(10.5)
Total Domestic Whiskey	**35.14**	**33.28**	**(5.3)**
U.S.–Bottled Canadian	13.10	13.50	3.1
Foreign–Bottled Canadian	7.63	7.40	(3.0)
Total Canadian	20.73	20.90	0.8
U.S.–Bottled Scotch	7.90	7.65	(3.2)
Foreign–Bottled Scotch	10.95	10.50	(4.1)
Total Scotch	18.85	18.15	(3.7)
Irish	0.29	0.29	–
Total Imported Whiskey	**39.87**	**39.35**	**(1.3)**
Total All Whiskey	**75.01**	**72.63**	**(3.2)**
Vodka	30.75	30.45	(1.0)
Gin	14.89	14.60	(1.9)
Liqueurs/Cordials	13.97	14.20	1.6
Rum	12.09	12.20	0.9
Brandy	6.59	6.75	2.4
Tequila	2.83	2.90	2.5
Prepared Cocktails	3.02	2.85	(5.6)
Total Nonwhiskey	**84.14**	**83.95**	**(0.2)**
Grand Total Distilled Spirits	**159.15**	**156.58**	**(1.6)%**

Source: Lehman Brothers Kuhn Loeb Research

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remained two and three, but then there are changes. Jim Beam moved from sixth to fourth; Canadian Mist moved from seventh to fifth. Both Jack Daniels and Seagram's V.O. dropped two notches.

Maxwell concludes outlook for the industry is uncertain. "At best, we believe growth will be relatively flat for the near future," he adds. □

Top selling brands

Rank 1982	Rank 1983	Brand	Company	9-Liter Cases (000) 1982	1983	Change
1	1	Bacardi	Bacardi	8,461	8,327	(1.6)%
2	2	Smirnoff	Heublein (RJR)	7,267	7,262	–
3	3	7 Crown	Seagram	5,900	5,500	(6.8)
6	4	Jim Beam	James Beam (AB)	3,840	3,940	2.6
7	5	Canadian Mist	Brown-Forman	3,673	3,876	5.5
4	6	Jack Daniel's	Brown-Forman	3,894	3,725	(4.3)
5	7	V.O.	Seagram	3,865	3,550	(8.2)
8	8	Windsor Supreme	National	3,515	3,505	(0.3)
9	9	Canadian Club	Walker (GWL)	3,440	3,371	(2.0)
10	10	Seagram's Gin	Seagram	3,184	3,200	0.5
11	11	Popov	Heublein (RJR)	3,077	3,163	2.8
13	12	Gordon's Gin	Gordon/Renfield	2,836	2,598	(8.4)
16	13	Kamchatka	National	2,322	2,350	1.2
14	14	Gilbey's Gin	National	2,598	2,340	(9.9)
15	15	J&B Rare	Paddington (GM)	2,450	2,271	(7.3)
17	16	Dewar's	Schenley (RA)	2,300	2,230	(3.0)
18	17	Gordon's Vodka	Gordon/Renfield	2,073	2,100	1.3
12	18	Black Velvet	Heublein (RJR)	1,979	2,000	1.1
20	19	Gilbey's Vodka	National	1,928	1,889	(2.0)
19	20	Early Times	Brown-Forman	1,951	1,868	(4.3)
21	21	Beefeater	Kobrand	1,768	1,856	5.0
24	22	Kahlua	Walker (GWL)	1,600	1,630	1.9
22	23	Christian Brothers	Fromm & Sichel	1,725	1,620	(6.1)
25	24	Ancient Age	Ancient Age	1,531	1,607	5.0
23	25	Cutty Sark	Buckingham	1,618	1,562	(3.5)
26	26	Johnnie Walker Red	Somerset (E)	1,506	1,490	(1.1)
28	27	Ten High	Walker (GWL)	1,472	1,479	4.8
27	28	Kessler	Calvert (S)	1,501	1,380	(8.1)
29	29	Old Crow	National	1,391	1,340	(3.7)
30	30	Calvert Extra	Calvert (S)	1,300	1,260	(3.1)
32	31	Old Grand-Dad	National	1,250	1,213	(3.0)
31	32	Southern Comfort	Brown-Forman	1,289	1,204	(6.6)
34	33	Tanqueray	Somerset (E)	1,110	1,188	7.0
35	34	Crown Royal	Seagram (S)	1,100	1,150	4.5
33	35	Wolfschmidt	Seagram	1,135	1,140	0.4
36	36	Jose Cuervo	Heublein (RJR)	874	1,005	15.0%

Key to parent corporations:

(AB)	American Brands	(GM)	Grand Metropolitan	(RJR)	R.J. Reynolds
(E)	Esmark	(GWL)	Gooderham & Worts	(S)	Seagram
(G)	Glenmore	(RA)	Rapid-American		

Source: Lehman Brothers Kuhn Loeb Research

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Speed, efficiency top buyers' equipment requirements

Evidently increasing sales coupled with the return of a stronger national economy has spurred beverage producers to get out their budgets and checkbooks and make plans to modernize their plants.

According to a recently-released exclusive **Beverage Industry** study (see page 69, November 1983), 74% of the country's beverage producers are planning capital expenditures this year. Of that total, 10% will make substantial investments of $1 million or more. Meanwhile, 63% of the respondents to the **BI** study revealed that they will spend more money than was budgeted in 1983.

The 1984 equipment trends study was conducted by the Infometrics National Research Center of Harcourt Brace Jovanovich Publications. The figures were tabulated by the **Beverage Industry** Statistical Research Center. This year's study includes the entire realm of the beverage-industry—carbonated beverages, non-carbonated liquid beverages, powders, wine, malt beverages, bottled water, and juices.

In addition to pegging their planned purchases, respondents

Influential equipment considerations

	Total	Carbonated beverages	Non-carbonated liquid beverages	Powders	Wine	Malt beverages	Bottled water	Juices
Base:	(166)	(78)	(14)	(6)	(18)	(19)	(12)	(19)
Faster Speed								
Very important	43%	46%	21%	50%	30%	75%	44%	23%
Somewhat important	48	43	71	33	60	13	44	77
Not too important	6	8	*	17	10	6	*	*
Not at all important	3	3	7	*	*	6	11	*
Greater flexibility								
Very important	47%	53%	46%	17%	47%	47%	33%	50%
Somewhat important	39	39	38	50	41	41	33	33
Not too important	14	8	16	33	12	12	33	17
Not at all important	*	*	*	*	*	*	*	*
More automatic action								
Very important	38%	35%	36%	50%	40%	33%	44%	38%
Somewhat important	48	51	50	33	30	53	44	54
Not too important	14	14	14	17	30	14	12	8
Not at all important	*	*	*	*	*	*	*	*
Advanced controls or monitoring systems								
Very important	38%	35%	38%	33%	30%	47%	33%	42%
Somewhat important	39	49	31	50	30	41	22	33
Not too important	17	14	15	*	40	12	33	17
Not at all important	6	3	15	17	*	*	11	8
Greater efficiency								
Very important	86%	89%	93%	83%	70%	82%	67%	92%
Somewhat important	11	8	*	17	30	12	23	8
Not too important	3	3	7	*	*	6	10	*
Not at all important	*	*	*	*	*	*	*	*
More energy efficient								
Very important	51%	61%	57%	50%	30%	47%	55%	31%
Somewhat important	36	34	36	17	40	35	34	54
Not too important	10	3	7	33	20	18	11	8
Not at all important	3	2	*	*	10	*	*	7

*Under 5%
Totals may not equal 100 due to rounding
Source: SRCH Statistical Research Center for Beverage Industry

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Significant machinery problems

	Total	Carbonated beverages	Non-carbonated liquid beverages	Powders	Wine	Malt beverages	Bottled water	Juices
Insufficient speed base:	(194)	(83)	(31)	(6)	(19)	(20)	(17)	(18)
Major problem	16%	14%	7%	33%	22%	29%	11%	8%
Somewhat of a problem	42	50	36	34	12	43	56	38
Not much of a problem	32	25	50	33	44	21	22	46
No problem at all	10	11	7	*	22	7	11	8
Lack of flexibility								
Major problem	23%	31	36	17%	33%	7%	*%	15%
Somewhat of a problem	32	28	14	16	22	67	22	47
Not much of a problem	38	33	43	67	33	26	78	23
No problem at all	7	8	7	*	10	*	*	15
Availability of spare parts								
Major problem	35%	28%	47%	33%	70%	38%	12%	33%
Somewhat of a problem	26	31	15	33	10	31	33	17
Not much of a problem	27	31	15	17	20	18	33	42
No problem at all	12	10	23	17	*	13	22	8
Energy/power consumption								
Major problem	20%	19%	36%	17%	13%	13%	23%	15%
Somewhat of a problem	33	41	29	*	12	47	33	31
Not much of a problem	38	32	28	67	63	33	33	46
No problem at all	9	8	7	16	12	7	11	8
Vendor service								
Major problem	19%	19%	21%	17%	30%	13%	13%	17%
Somewhat of a problem	28	25	29	33	20	34	13	42
Not much of a problem	37	45	21	17	40	40	50	24
No problem at all	16	11	29	33	10	13	24	17
Cost								
Major problem	20%	25%	21%	*%	22%	18%	33%	8%
Somewhat of a problem	54	50	58	33	44	58	56	69
Not much of a problem	23	17	21	67	33	24	11	23
No problem at all	3	8	*	*	*	*	*	*
Quality of construction								
Major problem	28%	27%	36%	*%	40%	31%	22%	23%
Somewhat of a problem	27	32	14	33	10	38	11	31
Not much of a problem	35	32	29	50	50	25	44	38
No problem at all	10	9	21	17	*	6	22	8
Delivery time								
Major problem	17%	19%	14%	17%	11%	31%	11%	8%
Somewhat of a problem	44	43	50	17	67	38	33	54
Not much of a problem	34	35	29	49	11	31	56	30
No problem at all	5	3	7	17	11	*	*	8

*Under 5%

Totals may not equal 100 because of rounding

Source: SRCH Statistical Research Center for **Beverage Industry**

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were asked to rank specific equipment characteristics and problems in order of importance. These responses reveal what, in essence, the beverage corporate buyer is looking for in new equipment.

Equipment trends

Overall, these executives are looking for faster speeds; greater flexibility; more automatic action; advanced controls or monitoring systems; greater efficiency; and greater energy efficiency. Another key requirement is ROI.

The majority of soft drink firms do not expect a return on their investment in the first year while 7% of beer producers expect maximum return on their capital equipment investment in the first 12 months. Forty-seven percent of the soft drink companies say that they expect to receive maximum return on their capital equipment investment in three years after purchase.

Meanwhile, 43% of the beer manufacturers expect their investment return to occur in two years after purchasing.

Fifty-six percent and 50% of bottled water and powder drink makers, respectively, report that they expect maximum return on their capital equipment investment in two years after purchase. But 63% of wine producers and the remaining 50% of powder drink companies expect maximum return in three years.

Labor savings that affect the return on their investment is the top priority of 75% of wine makers. But 100% of the powder drink producers and 90% of the non-carbonated liquid beverage makers say that the combination of labor savings and more finished output efficiency per machine is important to them.

Seventy-five percent of malt beverage companies consider faster speed "very important" in purchasing equipment. But, 77% and 71%, respectively, of juice producers and non-carbonated liquid beverage firms responding to the study stated that faster speed in equipment is "somewhat" important.

Labor savings

Seventy-four percent of the soft drink companies responding to **BI**'s study revealed that factors which affect return on their capital equipment purchase are labor savings combined with improved finished output efficiency.

Most of the beverage firms questioned said that greater flexibility in equipment is "very" important. But only 17% of powder drink companies regarded greater flexibility as a top priority. More automatic action is regarded with equal importance by the responding companies.

Forty percent of the responding wine producers believe that advanced controls or monitoring systems are not too important. Nearly every beverage firm, however, asserts that greater machine efficiency is very important. Energy efficiency rates a very important nod from only 31% and 30% of juice and wine companies, respectively.

Sixty-one percent of the soft drink makers report that more energy efficiency is a very important requirement to them in purchasing capital equipment; 34% of such companies consider energy efficient equipment "somewhat" important. A great majority of responding brewers regard energy efficiency an asset also. Forty-seven percent of the beer firms say that more energy efficient machinery are very important to them while 35% of the brewers report more energy efficiency is a "some-

Expected maximum investment return on capital equipment

	Total	Carbonated beverages	Non-carbonated liquid beverages	Powders	Wine	Malt beverages	Bottled water	Juices
Base:	(118)	60	15	(4)	(8)	(14)	(7)	(10)
1 Year	1%	*%	*%	*%	*%	7%	*%	0%
2 Years	38	30	33	50	24	43	56	30
3 Years	36	47	33	50	63	21	*	40
4 Years	10	7	12	*	13	*	15	20
5 Years	12	10	22	*	*	29	15	10
More than 5 years	3	6	0	*	*	*	14	0
Factors affecting return on investment								
Base:	(118)	(61)	(12)	(5)	(8)	(14)	(7)	(11)
Labor Savings	30%	29%	10%	20%	75%	29%	29%	18%
Improved through-put per machine efficiency	27	29	10	20	63	29	29	9
Combination of above two	78	74	90	100	63	71	57	82
Other	13	16	10	0	13	21	14	18

*Under 5%
Totals may exceed due to multiple responses
Source: SRCH Statistical Research Center for **Beverage Industry**

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what" important consideration in their equipment purchasing plans.

Breakdowns important

Machinery breakdowns are a major concern for wine producers; 40% responded that quality of construction is a major problem for them. But significant machinery problems regarding the quality of a unit's construction was not considered much of a problem by most of the other beverage companies. Meanwhile, 21% of non-carbonated liquid beverage firms said that quality of construction was no problem at all.

Thirty-one percent of malt beverage companies reported that machinery delivery time is a major problem while 67% of the responding wine producers consider delivery time "somewhat" of a problem.

"Inconvenience" is an appropriate word to describe how soft drink companies feel about machinery delivery time. Forty-three percent of the firms responding to the study report that delivery time is "somewhat" of a problem while 35% say that it is "not much" of a problem. But, 19% of the soft drink executives believe that machine delivery time is a major problem.

Insufficent machine speed is a major problem for 33% of powder drink producers, but only 7% of non-carbonated liquid beverage companies consider insufficient machine speed a major problem. Fifty-six percent and 50% of bottled water and carbonated beverage firms consider insufficient machine speed "somewhat" of a problem. Meanwhile, 67% of malt beverage companies consider lack of machine flexibility "somewhat" of a problem.

Thirty-eight percent of brewers feel that the lack of spare parts is a major problem while 31% of the beer producers consider the unavailability of parts to be "somewhat" of a problem. Soft drink executives, meanwhile, apparently do not feel too bothered by the issue. Only 28% of soft drink companies perceive the matter to be a major problem. Thirty-one percent of the responding companies say the lack of spare parts is "somewhat" of a problem or "not much" of a problem at all.

A huge 70% of responding wine producers believe a major problem is the availability of machine spare parts. On the other hand, only 12% of bottled water producers consider availability of spare parts a major problem.

Thirty-six percent of non-carbonated liquid beverage companies believe that energy/power consumption is a major problem. But 67% of powder drink producers consider the category not much of a problem. Thirty percent of wine producers believe that vendor service is a major problem while 10% of winemakers consider vendor service no problem at all.

Cost of machinery appeared to weigh heavily upon the minds of most of the responding beverage producers. Sixty-nine percent of juice makers consider high machinery cost "somewhat" of a problem while 58% of the non-carbonated liquid beverage makers and malt beverage producers believe the same. Sixty-seven percent of the powder drink makers, meanwhile, report that cost of machinery is "not much" of a problem.

The cost of machinery is considered to be "somewhat" of a problem by 50% of the soft drink execs. But 25% of them believe the problem to be grave.

With the passing into the new year, it is evident that many beverage executives perceive the problems of a poor economy to be in the past. With a renewed optimism many beverage firms are now taking full stock of their future projects and realize that the only way to prepare for the future is to spend for it. □

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Primary containers show 3.2% gain for SD's in '83

Soft drink sales by package
(Units: Billions equivalent 12 oz.)

	1982	1983 E	1984 P
Total SD demand	97.5	101.0	105.0
% packaged	77.3	77.0	76.8
Packaged soft drinks	75.4	77.8	80.6
Cans	26.2	28.0	29.5
% cans	34.7	35.9	36.6
One-way glass	11.9	11.5	11.6
% one-way	15.7	14.8	14.4
Plastics	15.2	16.6	18.5
% plastic	20.3	21.4	23.0
Returnable glass	22.1	21.7	21.0
% returnable	29.3	27.9	26.0

Source: Arthur M. Stupay
Prescott, Ball and Turben

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Reflecting projections that soft drink and beer volume showed increases in 1983, total packaged volume was up 3.2% for soft drinks and up .5% for beer.

According to just-announced figures from Prescott, Ball and Turben market analyst Arthur M. Stupay, cans were up 6.8% to 28 billion units and PET was up 9% to 16.6 billion for the soft drink industry. Glass container shipments were off 3.3% in NR to 11.5 billion and 1.8% in R to 21.7 billion. In beer, cans were up 4.7% to 33.2 billion and NR glass was down 6.3% at 14.9 billion while R glass dropped 6.2% to 3 billion.

Stupay analyzes the beverage packaging industry in 1983 this way. "Metal cans have recorded better than expected gains, especially in the summer months, helped by favorable weather. The weakness in glass containers, especially in beer and soft drinks, can be traced to the inroads of aluminum cans in mandatory deposit states, due to their favorable recycling economics."

PET gains

He adds: "PET . . . mainly in the 2-L size, continues to gain market share in soft drinks, reducing the market for glass. Plastic containers are growing in the .5-L sizes as well, and volume is probably twice the level reached a year ago."

H. Edward Schollmeyer, analyst with Paine Webber Mitchell Hutchins, Inc., anticipates a glass turnaround with profits up in 1984, however. "As the economy recovers, more premium beers are consumed and many of them are packaged in glass. It's as simple as that."

He adds that glass will be in very tight supply because of capacity reduction, particularly with companies that have gone private through leverage buyouts and are now rebuilding. Because of this, there will be more demand on publicly owned companies.

Stupay, however, is not quite as optimistic about glass. "The jury is still out on glass. There will be further capacity reductions, and maybe a flattening of demand in '84 instead of a decline."

Bruce Oman, director of marketing programs for the Glass Packaging Institute, reports single-service pre-labeled glass had an exceptional year.

"Everybody looks at us and says glass just keeps going down, but that's just not true," Oman says. He reports 10-oz. and 16-oz. pre-labeled glass jumped 10.5% in '83, and commands a 2 share of the vending market and 20% share of the convenience store market.

Oman says it's no secret glass is down in supermarkets, but he adds cold bottle markets are doing phenomenal. A lot of this success, he contends, is tied to the Glass Vending Assn.'s programs. He adds many aren't aware of its success in this market because few parent companies and analysts break-down the market by size categories anymore.

Most analysts are expecting this trend to continue through 1984, although some consider a resurgence from glass a strong possibility since most glass companies have shut down excess capacity. As a result, profit drains from this capacity have been eliminated and the remaining manufacturers should be in a better position to promote and price their packages.

Strong year

But, overall, the strong performance by the soft drink industry in 1983 made it a good year for primary packaging. A Continental Can Co. official estimates that packaged share of total soft drink gallonage at 77%, translating into 76 billion 12-oz. units or a 4% increase over 1983.

In the nine mandatory deposit states in 1983, glass containers were being displaced by PET and cans for several reasons. Glass is prone to breakage, while PET and cans are not, and aluminum's recyclability made cans even more desirable.

In fact, Stupay reports that without mandatory deposit states recycling aluminum cans may not even be a feasible practice. "Recycling needs volume. Without mandatory deposits, it isn't practical," says Stupay.

In addition, bottlers found cans useful for new product introductions because of their ability to get into all distribution channels—vending, on-premise, supermarkets and other retail outlets.

Overall, glass reviews for '83 were mixed, but analysts agree PET had a strong year. It was a popular package for soft drinks,

but it made inroads in other markets. Test market evaluation of its use with wine and liquor has been ongoing and consumer acceptance has been good. "Plastics, particularly in larger sizes, will increase in these industries," Stupay says.

California wineries are running market tests now on Sewell Plastics' 4-L PET and John Budde, Sewell marketing director, anticipates successful test marketing. "We're in a position to produce quantities of 3-L and 4-L PET now," he says, adding "I think it's going to go a little slow in '84, but it will eventually take off."

Sewell, based in Atlanta, is also producing a 1.75-L liquor bottle for McCormick, and Budde says other distillers are also expected to go with the 1.75-L PET package this quarter. Others are also producing PET liquor bottles. Sources report Plastipak Packaging has begun production on a 1.75-L bottle for Glenmore Distillers.

Wheaton Plastics, located in Mays Landing, NJ, began production last November of 50-ml PET miniatures for Jim Beam bourbon. Wallis Hoyle, Wheaton product development manager, estimates the miniature market at 225 million units, nearly half of which goes to airlines. Hoyle reports a 40% weight reduction in the PET bottle over glass after filling. He expects 25% of that potential market in PET by the end of this year, and 80% by the end of '85.

In Port Clinton, OH, Aim Packaging is utilizing Kodapak PET clear amber pellets to manufacture 25.4-oz. "Traveler" flasks for National Distillers Products Co. After manufacturing, the flasks are shipped to National's Frankfort, KY, filling plant to be used for Windsor Canadian, Old Crow Bourbon and Vat 69 Gold Scotch. Sources report consumer acceptance has been good.

Half-liter grows

While the bulk of PET in the soft drink market comes in the 2-L size (93.3% in 1982, according to the NSDA), acceptance has grown for the .5-L market, Stupay reports. He estimates 250-300 million were in the market in 1982; 500-600 million in '83. "It may reach a billion this year," he says.

Problems with the .5-L have been numerous. Shelflife, cost and production capabilities have all slowed its development. Sources report there are 15 machines in the market capable of producing a billion containers a year, and Stupay reports this may be the year the bugs are finally eliminated from production.

In addition, PET specialist Len Ryder says shelf life is no longer considered as important as it once was. "A year ago shelf life in the .5-L was a very emotional subject. You don't hear bottlers talking about it much anymore. Price is a more important issue," says Ryder.

He explains: "Single service containers like the .5-L turn over fast. If you don't move carbonated beverages in less than six weeks, you're not in the business anymore." But while shelf life for the .5-L may no longer be a primary concern to bottlers, other analysts

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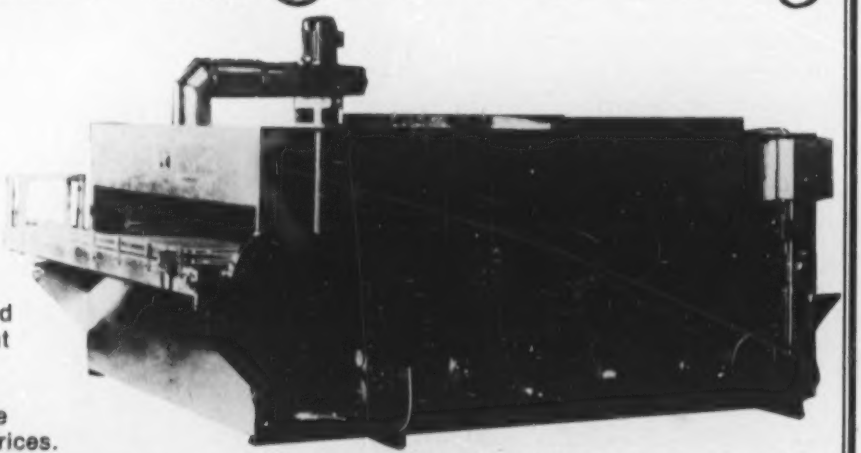

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Beer sales by package
(Units: Billions equivalent 12 oz.)

	1982	1983E	1984P
Total beer demand	60.3	61.0	62.0
% packaged	84.2	83.7	83.7
Packaged beer	50.8	51.1	51.9
Cans	31.7	33.2	34.5
% cans	62.4	64.9	66.5
One-way glass	15.9	14.9	14.5
% one-way	31.3	29.2	27.9
Returnable glass	3.2	3.0	2.9
% returnable	6.3	5.9	5.6

Source: Arthur M. Stupay Prescott, Ball and Turben

Copyright: Beverage Industry March 1984

contend it's still important.

Shelf life of the .5-L is now about eight to ten weeks, but a new system developed by Nordson Corp., Container Application Group, in Amherst, OH, reportedly increased the shelf life of plastic containers.

Extending shelf life

The Barrier-Gard System is a process that allows for coating the exteriors of PET containers with an invisible glaze of PVDC to increase barrier properties.

Nordson reports tests on 23-gram, .5-L PET containers show an increased shelf life to 22 weeks. The system sprays bottles anywhere from 30 to 300 containers per minute with uniform coverage of up to 100% of the exposed surface, utilizing the Nordson Impact Spray Coater. It accommodates containers up to six inches in diameter and 14 inches in length.

Other suppliers are still studying co-extrusions, coatings and heat-setting as a means of lengthening shelf-life and improving the quality of the PET container.

PET co-extrusions

Prentice McKibben, market analyst with Eastman Chemicals, says they are working with a co-extrusion of PET and EVOH, but adds multiple projects are ongoing at Eastman. "I couldn't tell you when we will have a co-extruded PET bottle in the market," he says.

The shelf life problem is a little different with beer, he says. "We're more worried about oxygen penetration than carbonation loss. Beer will be more difficult than soft drinks to put in single service size PET." Despite that, he doesn't doubt the prediction that one major national brewer will have a large PET container within 1984.

While new developments continue to improve PET as a soft drink package, it was cans that led all other packaging in both unit volume increase and share gains in '83 over '82, according to Glenn A. Paulson, general manager-sales/marketing for Beverage Operations of Continental Can Co.

"There are a number of reasons for the continued growth in can shipments. In soft drinks, parent companies and franchise bottlers are giving cans promotional support in food stores. The Booz, Allen and Hamilton study—analyzing filling and distribution costs, promotion and pricing levels—revealed cans to be the most profitable soft drink package.

"Another major positive factor is the heavy can use for diet soft drinks and the light beer segment . . . As these products which rely heavily on can packaging grow faster than other products, can share of total packaged increases," Paulson says.

Aluminum continues to hold the lion's share of the can market over steel with 99% of all beer cans and 84% of all soft drink cans. Recycling is a big factor in its success. Paulson reports in '83 more than 55% of all aluminum beverage cans shipped were recycled.

New innovations

Several new innovations kept cans competitive in the market, such as the necked-in technology, responsible for a whole new generation of cans. Reynolds Q/Light can is 16-lbs. per thousand lighter than the first 12-oz. can it introduced 20 years ago, the company reports. It's necked in four times to reduce the weight and end diameter.

Stupay foresees a proliferation of packaging developments in '84. Analysts agree that there were few innovations that influenced the industry in '83. Stupay blames the economy. Nobody wanted to go out on the limb with new packaging last year, he says, because of the recession. He believes a recovered economy should change that in '84.

Aseptic inroads

If any one key development stands out, it was the proliferation of aseptic products on the market. However, Stupay believes aseptic packages are still at least five years away from full acceptance and their effect in 1983 on cans, PET and glass was minimal.

John C. Maxwell, BI's director of research/statistics, reports aseptic packaging could adversely influence domestic carbonated beverage volume over the next few years.

"There is some feeling that the industry could lower juice prices by 50% at retail with this container. The convenience and ease of opening and usage make the paper bottle a very competitive vehicle. Note also that it does not fall under the various state bottling bills with their required deposits, and has ease of disposal." And if that's the case, it would have a negative impact on cans, PET and glass.

Maxwell adds: "Some companies believe that they could put carbonated orange drinks into current aseptic packaging, since the carbonation of orange is low. They believe that within the next three to five years, development of the paper bottle could reach a point where carbonated beverages and beer could both be adequately contained therein." □

Secondary packages going more generic

Packaged soft drink gallonage

	Loose	Paperboard	Plastic
Cans	10%	11%	79%
PET	99%	1%	–
NR glass	10%	90%	–
R glass	10%	45%	45%

Copyright: Beverage Industry March 1984

Packaged beer barrelage

	Corrugated	Paperboard	Plastic
Cans	7%	37%	56%
NR glass	13%	87%	–
R glass	89%	11%	–

Copyright: Beverage Industry March 1984

While few new secondary packaging developments entered the market in 1983, industry suppliers have begun to fret over the economy move by bottlers toward more generic, inexpensive packaging.

Says one supplier, "70 to 80% of soft drinks sold today are based on price and we feel the effect in the packaging industry. There are a lot of accounting people running departments previously operated by marketing people." The result is a trend toward no-frills secondary packaging in the soft drink industry.

Suppliers agree it's not the same with beer. Brewers have always segmented their brands, often utilizing first class packaging with sharp graphics and innovative design for their premium and super-premium brands. They've also maintained their pricing levels.

Emphasis: advertising

The move to low cost secondary packaging is part of the day to day struggle to be low-cost producers. The use of generic wraps and baskets means fewer line changes and inventory reductions.

Because generic packages can be produced cheaper, there are also small savings in packaging costs. The pennies saved can be translated into dollars which directly fund the price-off battle chest or prop up lagging profits.

Graphics changes

Bill Wright, general manager, C.W. Zumbiel Co., concurs. He says the unprinted plastic carton pack has supplanted quality packaging with creative graphics. "I think it's a very bad way to go. It doesn't carry any sort of product message because it's not printed.

He adds, "Product loyalty is disappearing because consumers buy what is on discount each week in many cities around the country. People never pay full price." That could change though, Wright says, if bottlers used better packaging with bolder graphics. "A bolder package will help maintain product loyalty," he says, despite discounting.

Certainly, 1983 was not an exciting year for new secondary developments. While sources contend it's still too early to tell how successful it will be, shrink film appears to be intent on grabbing a bigger share of the secondary packaging market. Armed with some impressive cost-saving stats, the new marketers feel they'll find a more receptive audience in both the beer and soft drink industries.

In addition, the proliferation of aseptic products brought paperboard aseptic multi-packs into the market from several manufacturers. And 12-packs were credited with much of the success of cans in 1983.

"This is nothing new in beer," says Wright. "Roughly 40% of all can beer sales come in the 12-pack. In soft drinks, it's probably closer to five or six percent. The growth of the 12-pack in soft drinks will certainly play a role in putting more product in the home," he adds.

Bottlers have found shrink film an expensive investment, up to six times the cost of traditional packaging initially. But in the long run, the shrink film material is cheaper and pays for itself for the bottlers who can afford to make the initial investment.

Many suppliers feel mandatory deposits will play an increasing role in secondary packaging with an increase in the use of paperboard. "We feel there is a certain potential for growth in paperboard in deposit legislation states at the expense of packaging that is destroyed when you get to the product," says one supplier, who contends consumers will want to use it to bring glass packages back to the store. □

1983 sees 30% increase in U.S. vending machines

There were 147,937 more beverage vending machines in 1983 than in 1982, an increase of almost 30% according to a report on coin operated vending machines recently released by the U.S. Department of Commerce. 1983 saw 650,016 beverage machines valued at $328,254,000 compared with 502,079 machines valued at $318,943,000 in 1982. The number of canned and bottled soft drink vending machines increased almost 2% from 210,312 in 1982 to 213,590 in '83. Yet, the estimated value of soft drink machines in the field fell from $190,089,000 in '82 to $182,886,000 in 1983. The package milk and juice industry experienced a 21% increase in the number of machines distributing their product. There were 1,674 machines in the field in '83 a substantial increase over the 1,387 machines in 1982. The value of these machines increased from $2,982,000 in 1982 to $3,128,000 in '83. The number of vending machines serving hot beverages increased a little over 1% in 1983. In 1983, there were 228,430 hot beverage vending machines compared with 225,037 in '82. These machines were valued at $213,425,000 in '82 and fell in value to $206,951,000 in '83. The number of nonoffice and office type dispensers fell by almost 5% in '83, while fresh brew, coffee and combination hot beverage machines increased by over 2%. There are approximately 45 coin-operated vending machines in the U.S.

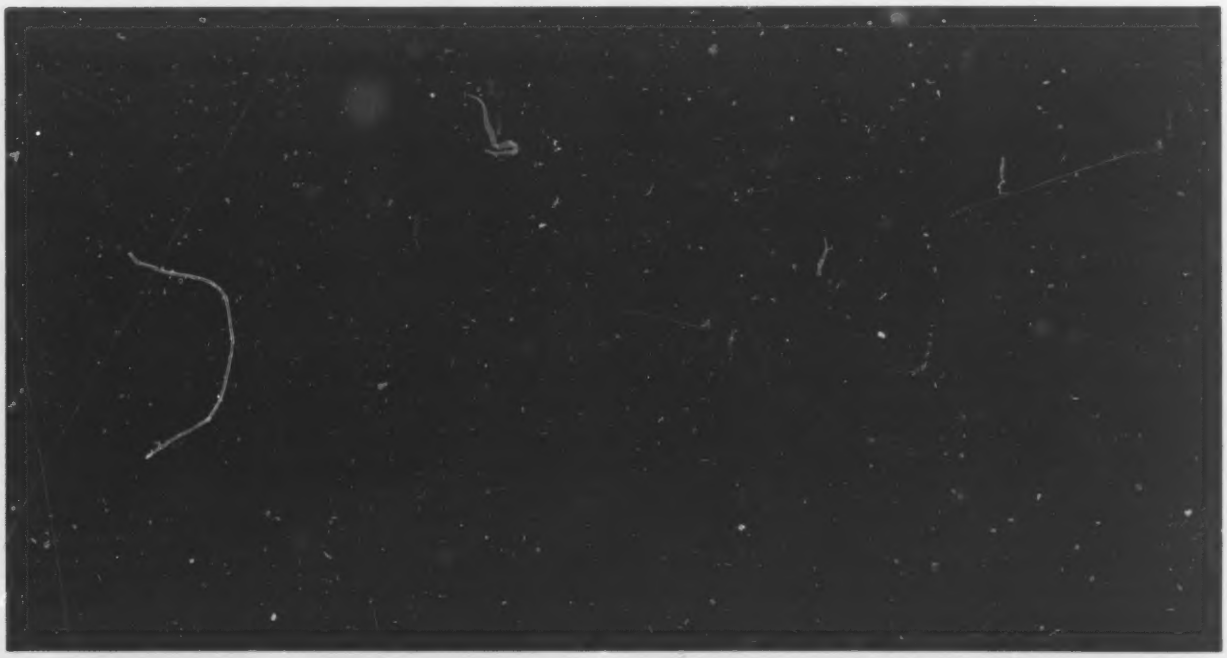
Economic recovery

Both venders and coin acceptor manufacturers are optimistic about 1984. So far, it's been a year of increased excitement for an economic recovery—to continue the upward development trend that has carried over from 1983.

Cases in point: the continuing developments in electronics-based and aseptic vending. And let's not forget the sign of the times: talking and video venders. And now, the manufacturing of 10-selection machines has become reality so accommodations can be made for the seemingly constant rollout of new soft drink brands.

Also new to the cold drink vending market are venders which serve soft drinks in an 18 oz. "poly-two-side" cup, aimed at those with a big thirst. The targeted major markets are factory and other blue collar workers, college dormitories, and bowling alley patrons.

Beverage Industry spoke recently with several of the major U.S. vending manufacturers, who reported they are coming out of the doldrums.



Dixie-Narco, Ranson, WV, is pleased with its prospects this year, due in part to its involvement in the production of aseptic venders. "It has gone far beyond our expectations," says William Ural, executive vice president of the company. "We seem to be doubling our aseptic vender production with each month. Aseptics will keep growing, but won't interfere with (the growth of) carbonated drinks."

(Most of Dixie-Narco's aseptic vender customers are soft drink bottlers, he adds.)

Dixie-Narco is looking at ways to develop a more flexible aseptic machine which will handle both Combibloc and Tetra packages without increasing cost, Ural revealed.

"We're pleased with the prospects this year even without aseptic venders," Ural says. "We feel the industry as a whole grew a little bit in 1983 and will grow a little in 1984, but not too significantly. We're not positive yet because our fiscal year goes from July to June, so we'll know more then. But the majority of growth should continue to be in bottle or can vender manufacturing." □

Bulk growth continues to outpace SD industry

Although the rate of growth of bulk fountain soft drinks has slowed, it is still increasing at a rate almost double that of packaged goods. In 1982, latest year for which NSDA sales figures are available, bulk sales were up 4.7%; packaged soft drink sales were up 2.4%.

Beverage Industry estimates that bulk sales increased from 22.3 billion 12-oz. servings in 1982 to 23.5 billion 12-oz. servings in 1983, representing 24% of total sales for the soft drink industry. Bulk sales for 1980 and 1981, meanwhile, shared 22.4% of the market and 22.8% in 1982. In four years, the bulk sales segment has increased its share of the total soft drink market by 1.6 percentage points, a 7.5% increase.

Post mix has the lion's share of that market, pre mix a smaller portion.

Total gallonage (bulk and packaged) grew at a 2.7% clip, while packaged and bulk had gains of 2.4% and 4.7% respectively. Total dollar value increased 5.7% during 1982, according to statistics. Total sales of 12-oz. packages were estimated at $21.2 billion on the wholesale level.

Pre-mix and post-mix soft drinks had gains of 2.4% and 5.2%, respectively, in 1982. Packaged sales were up 2.4%, with plastic leading the way at 9.8%. Meanwhile, one-way glass was up to 6.5% and can sales increased to 3.6%. Refillables, however, decreased to 6.5%.

Why has the meteoric rise of the bulk package market slowed to a snail's pace?

Perhaps the most important answer is the rise and subsequent

Bulk soft drink

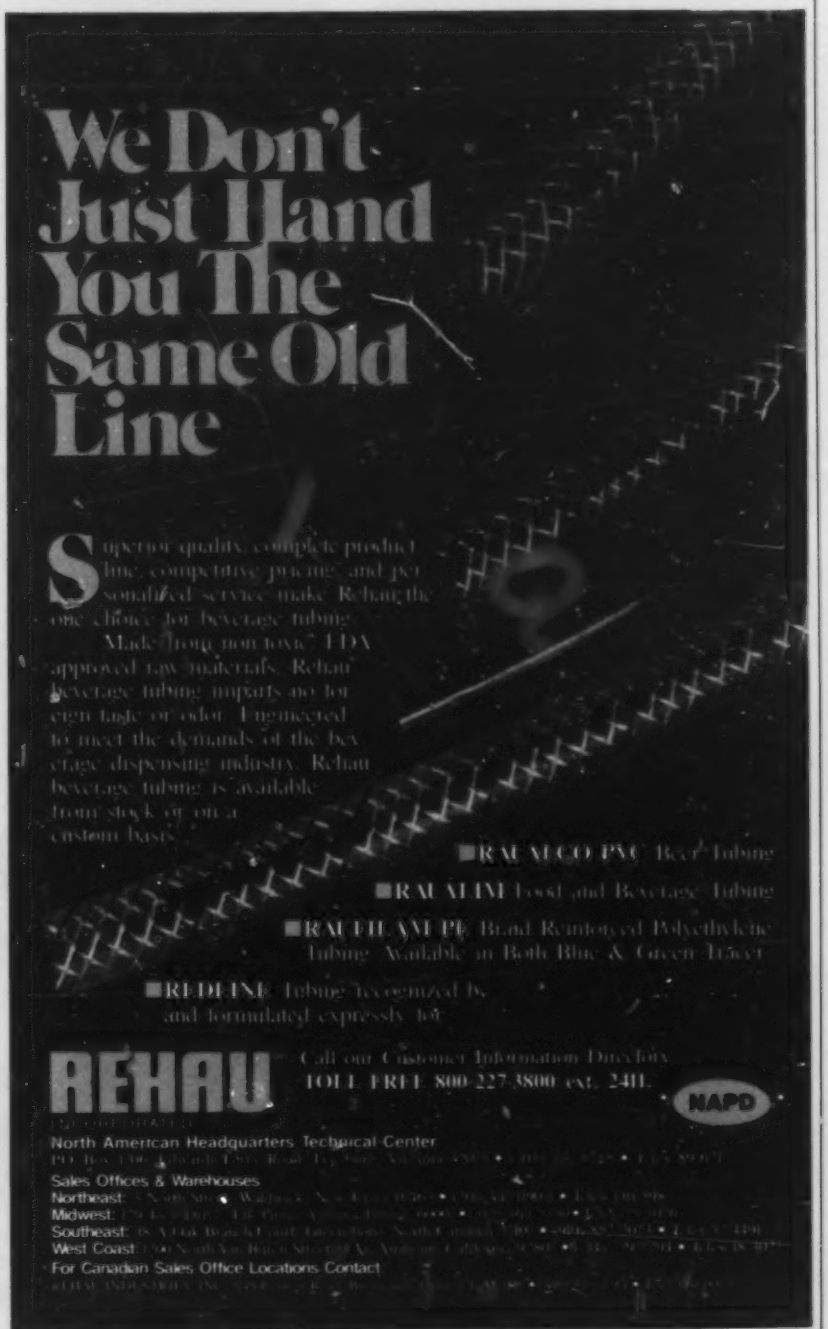
Year	Bulk Sales (Mil.12-oz.)	Percent Increase
1983	23,490	+ 5.4
1982	22,288	+ 4.7
1981	21,287	+ 3.7
1980	20,518	+ 4.6
1979	19,612	+ 8.9
1978	18,008	+ 9.4
1977	16,446	+13.2
1976	14,526	+12.0
1975	12,969	+ 1.6
1974	12,761	+ 5.7
1973	12.069	+ 9.2
1972	11,049	+ 5.4

Source: National Soft Drink Association, 1972-83

Copyright: Beverage Industry April 1984

leveling of the fast food industry. The intense proliferation and diversification of the fast food industry in the late 1960s and through the 1970s was a tremendous lift to the bulk beverage segment. Consider this: In 1965, the market share percentage of bulk was 12.9%; in 1982, 22.8%. Many new fast food chains began operations within the past 16 years and have saturated the U.S., increasing bulk sales.

But the poor economy in 1981-1982 hampered the purse strings of many Americans, particularly the unemployed. The result was that many American families tightened their economic belts, cutting their spending to the necessities. Many fast food restaurants experienced poor-to-modest earning statements that, of course, affected their bulk soft drink sales. Thus, the bulk segment experienced the same poor-to-modest growth in the past couple of years.



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Attractive alternative

The large soft drink firms continue to hold onto a very hefty share of the bulk market with Coca-Cola outpacking Pepsi. This arrangement, however, could very easily change.

One of the reasons is because the bag-in-box dispensing system is becoming more of an attractive alternative to the familiar steel transfer tanks.

With a cheaper, initial cost outlay, bag-in-box systems may become a staple at many "mom-and-pop" outlets. The bag-in-box, a metallized bag enclosed in a corrugated cardboard box, costs approximately the same as it did last year—$1.65 each, according to one industry source. The cost of a stainless steel tank is relatively the same also, a little more than $35.

The bag-in-box dispensing units, considered to be relatively new to the soft drink industry, work with the aid of an electric or air pump. The pump pulls the syrup out of the bag up to the soft drink dispenser.

The units, however, are not without detractors. Some believe that problems in designing an efficient pump have held back the development of the system within the industry. But, an industry source believes that such problems with bag-in-box are not that viable and only perceived, claiming that manufacturers of the system have made significant inroads in the past year.

One source says that there is no question that bag-in-box units will

displace stainless steel transfer tanks.

B-in-B vs steel

As BI asserted in last year's report, bag-in-box units are more practical than steel tanks for one time events because of obvious cost and disposable features. Many industry observers will have an opportunity to analyze such events because of the Summer Olympics in Los Angeles this year. Sales percentages may rise sharply this year because of the summer games, at least in the southern California market, said one industry analyst. Emphasis is being placed upon bag-in-box systems in the market by parent companies, making the dispensers available to bottlers and restaurants in anticipation of the summer games, he says. Such an emphasis could very well increase the market share for bulk sales of bag-in-box.

Steel transfer tanks, however, will have their share of the market on sheer dollar value. Many bottlers and institutional firms have invested heavily in steel tanks and will not immediately forego them for the less-costly bag-in-box systems. Therefore, many companies will continue their use of steel tanks for as long as the tanks last. One source revealed that steel transfer tank suppliers may expect a level sales growth in the future, giving credibility to the fact that such dispensing systems can be less costly than bag-in-box.

Bag-in-box suppliers, meanwhile, are aggressively attacking the marketplace. Coca-Cola USA recently announced a new soft drink dispenser targeted for low-volume office and retail locations that do not have soft drinks. Known as the "Beverage Technology System," the unit is self-contained and dispenses cold soft drinks from a system about the size of an office coffee brewer. The unit weighs only 53-lbs., according to company spokesmen.

Bag-in-box is not limited to soft drinks either. Silverstone Cellars of Elk Grove, CA, recently entered the bag-in-box wine market.

Marketing figures indicate that bag-in-box purchases will total approximately 10% of wine gallon sales in 1984, according to Thomas P. Kelley, vp-marketing and gm of Gibson Wine Co., the producer of Silverstone Cellars. "Bag-in-box has definitely become an established segment of the wine industry," he told BI. Kelley says that bag-in-box wines stay fresh longer, are more convenient to handle and serve. □

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ing its line of juices in the 250-ml package.

Ocean Spray markets its renowned Ocean Spray Cranberry Juice Cocktail, Cranapple, Crangrape, Pink Grapefruit Juice Cocktail, Apple Juice and Grapefruit Juice throughout the U.S. The company, meanwhile, is test marketing four concentrate flavors (apple juice, cranberry juice, pink grapefruit juice, and cranapple) in four markets— Harrisburg, PA; Syracuse, NY; Denver, CO, and Phoenix, AZ.

Louisiana Coke, which introduced "Squeeze" in late '83 hit several major metropolitan markets in the spring, according to Ben Blake, gm of Refreshment Enterprises, Inc., a wholly-owned subsidiary of Louisiana Coke. "Squeeze" is a 35% fruit juice drink.

The drink is targeted toward teens and young adults compared to most other aseptic products on the market that are aimed at children.

"We presently have 45 vendors in the New Orleans market," said Blake, "We'll be rolling-out in the spring to establish 'Squeeze' nationally into major markets. Later, we'll be filling-in around the metro regions," he mentioned.

Blake said that his firm is "actively soliciting bottlers" for "Squeeze." He added that Refreshment Enterprises has 16 franchises to be rolled out by March with several others under negotiations.

In an exclusive interview published in BI's NSDA Show Daily last month, it was stated that Louisiana Coke began production with two Tetra Pak machines, which produces "Squeeze" in five flavors—apple, orange, grape, island punch and fruit punch—in 250-ml packages.

As companies begin to expand upon their product base using the less-expensive aseptic system, many more consumers should soon realize the savings on the retail shelf compared to other forms of packaging. No doubt the future of aseptics is bright.□

Aseptics segment packaging industry

The past year has witnessed the greatest segmentation of the carbonated soft drink industry since the inception of the business.

The results of the introduction of aspartame, the no-caffeine saccharin replacement, although threatening to some companies, has generally proven to be good for the soft drink industry. In fact, the birth of aspartame has even revived the industry's overall growth.

The beverage industry's non-carbonated juice drink segment now seems poised for a different kind of segmentation. This time the segmentation is in packaging, with the introduction of single-service size aseptically-packaged juice drinks in plastic-foil-paper composite cartons.

Bottlers' role

More significantly, the principal participants in this packaging innovation in the juice market may prove to be the soft drink bottlers, rather than the companies long associated with juice drink manufacturing and distribution.

For more information on aseptic packaging systems, see comparison charts, page 167, the Manual section.

The carbonated soft drink bottling groups throughout the country, after a decade of consolidation, have become major factors in the beverage industry. In fact, some firms are beginning to rival the soft drink dollar sales of their parent companies. Further consolidation within the industry, however, is limited. Continued high growth rates are unlikely to be satisfied within the confines of the carbonated soft drink market.

Bottler motivation

The most likely place to look for added growth is in the closely-related juice market. In this market, the bottlers can see a variety of opportunities.:

1. To produce a product under their company's own name, or at least a product not controlled by the parent company;

2. To lower distribution costs by utilizing their existing distribution

Aseptics vs. glass vs. cans. Total costs per 1,000 gal. juice/juice drinks packed
Glass: $1,360.36
Cans: $1,328.68
Aseptic: $668.26
Processing costs: aseptics vs. glass vs. cans. Cost per 1,000 gal. juice/juice drinks packed
Glass: $8.89
Cans: $3.83
Aseptics: $16.81
Filling costs: aseptics vs. glass vs. cans. Cost per 1,000 gal. juice/juice drinks packed
Glass: $38.88
Cans: $19.06
Aseptics: $31.90
*Packaging costs: aseptics vs. glass vs. cans. Cost per 1,000 gal. juice/juice drinks packed
* Including casing costs
Glass: $1,004.34
Cans: $1,095.36
Aseptics: $460.02
Handling/Storage costs: aseptics vs. glass vs. cans. Cost per 1,000 gal. juice/juice drinks packed
Glass: $210.82
Cans: $140.51
Aseptics: $140.36
Distribution/Retail costs: aseptics vs. glass vs. cans. Cost per 1,000 gal. juice/juice drinks packed
Glass: $97.43
Cans: $89.92
Aseptics: $15.17

system; or alternatively, to gain experience in the conventional warehouse and other forms of distribution associated with food marketing;

3. To reduce their dependence on can and glass suppliers by participating in the assembly of the container: and becoming more involved in the container's production at a later time;

4. With the non-carbonated juice market complementing the bottlers present soft drink market;

5. To enter the institutional food service market, especially in schools where carbonated soft drinks are often banned at lunch time;

6. By offering the aseptic package as an extension of his present business because the present and future economics of the package look good; or as a hedge against rising costs of his present product line;

7. To protect his present carbonated soft drink business as a defensive measure.

Container economics

The juice market has long been the bastion of the 46-oz. metal can and glass bottles from one- to two-quarts. These packages have proven to be quite cost effective in delivering the product to the consumer. The cost of the primary container, plus the closure and the reshipper, ranges around one-half cent per fluid ounce of the packed product. In this price range, family-sized commercially packed juice drinks can be priced at retail to rival the cost of similar powdered drinks mixed at home.

Meanwhile, the 16-oz. and smaller-sized package cost per product increases dramatically for metal and glass.

The present cost of a 12-oz. aluminum can is now in the area of eight cents each and is expected to go to the nine- to 10-cent range by year's end when the effects of recent and pending aluminum price increases are felt in the can market. The can cost then goes from eight-tenths of a cent to over nine-tenths of a cent per ounce when secondary packaging costs are included, or up to 80% higher than the family size container cost.

A lightweight, prelabeled 12-oz. juice bottle, including closure and reshipper, and a six-pack gripping

device could probably be delivered for under seven cents each, or under six-tenths of a cent per ounce of product. The cost is approximately 20% higher than the family size package.

The paper, plastic and foil aseptic contender is the 350-ml(11.835 oz) size package. It is now selling for under six-and-a-half cents, including a reshipper carton and a plastic three-pack wrapper. The packaging costs per ounce, at a little over one-half cent now run about 10% more than the family size cost.

The real message, however, is that these unit costs can be expected to decrease to a level of four-and-a-half to five cents in time. The basic material costs for the laminated construction is under three cents a unit. As improvements in the manufacturing process are made, a projected selling price between four-and-a-half to five cents seems reasonable. At this price level, the single service cost per ounce drops to the range of four-tenths of a cent per ounce, or 20% less than the present cost in family size containers.

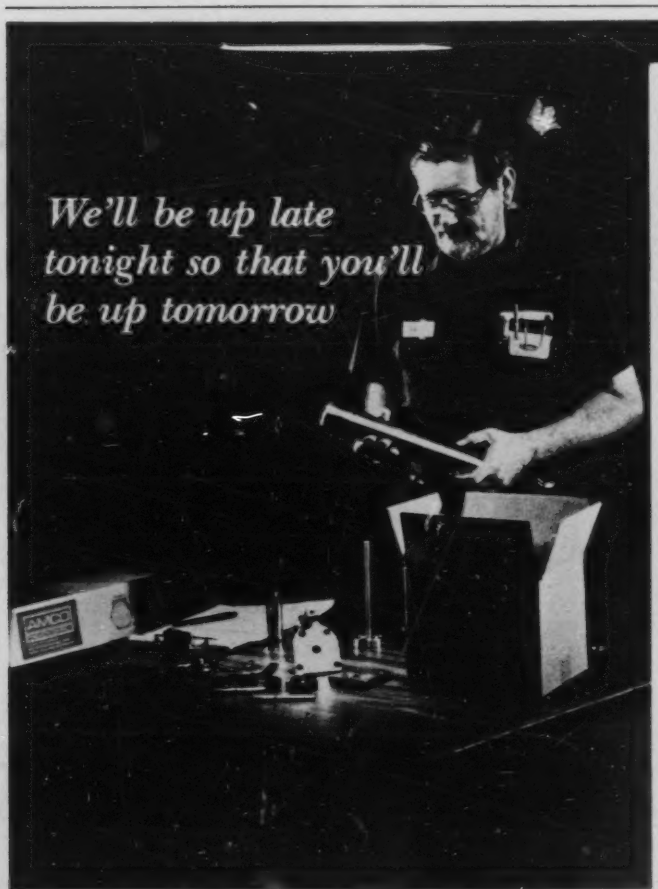
Filling-line costs

The lowest cost filling-line operations are the glass and can filling lines, essentially requiring nothing but a hot fill to attain the desired level of sterility. Can filling speeds can run in the 1500-per-minute range, and glass lines can range from 750- to 1300-per-minute. The can filling line for juice drinks requires the injection of liquid nitrogen at the time of filling. This process gives the container some rigidity in storage and shipment. The added operation for juice drinks may act to slow down filling speeds for cans.

The aseptic filling lines call for a forming, filling and sealing operation to be conducted in whole, or in part, under sterile conditions.

The jury is still out, however, on the true operating costs of forming, filling and sealing the aseptic container. But it appears that full costs, including the expense of money and depreciation, are now in the range of 1.5 to 2.0 cents per container in the 350-ml size, according to the makers of the filling lines.

With the advent of aseptic packages on the American marketplace, however, bottlers may see a shinier financial light at the end of the consumer spending tunnel. □



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Circle No. 114 on Reader Inquiry Card

Sweetener economics: a simplified approach

by Robert J. Fick

In these days of changing ingredients (HFCS approval levels, etc.), bottlers are faced with a variety of economic choices, especially among sweeteners.

Although many factors interact in determining the optimum purchase levels for sugar, HFCS-42, HFCS-55 and blends (i.e., sales/production plan; plant tankage and configuration; line speeds; etc.), most of them ultimately impact the plant's bottling schedule more so than the economic choice among the various sweeteners.

Nevertheless, the seeming complexity of the choice led one HFCS supplier to commercialize a computer program to help its bottling customers. To use the program, the customer had only to provide his confidential production schedule, overages, etc., to the supplier. The supplier then would provide a computer printout detailing how much of each sweetener to buy at the bid prices.

Alternatively, there are a number of bottlers who use complex charts of the type shown below to choose among sugar, HFCS-42 and HFCS-55.

A separate chart was prepared—usually by an HFCS supplier—for each potential delivered sugar cost on a dry basis. By looking up the appropriate sugar-price chart, the buyer could then calculate the break-even price for HFCS-42 (71% solids on a commercial basis) vis-a-vis HFCS-55 (on a dry basis) for his particular operation.

To use the charts he first determined weighted average approval levels for both corn syrups for his planned production schedule(s) over the period for which he was buying sweeteners. Once this was done, the weighted approval level for HFCS-42 was divided into that for HFCS-55. The resultant ration was then located on the horizontal axis. The intersection of a vertical line extended upward from this axis with the HFCS-55 price line located on the vertical axis would then determine the HFCS-42 break-even price.

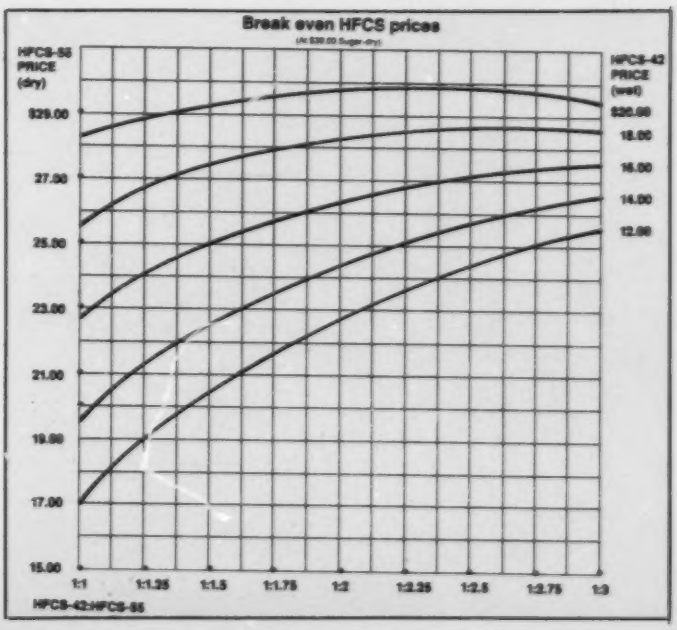
To illustrate, let's assume a hypothetical Seven-Up bottler will be producing 40,000 cases of 7UP and 10,000 cases of Dr Pepper in a given month. Let's also assume the bottler has been quoted prices of $30 (dry) for sugar, $28 (dry) for HFCS-55 and $18 (wet-71% solids)

Break-even HFCS prices
(at $30 sugar dry)

	Price	w/b	12.0	14.0	16.0	18.0	20.0
h_1:h_2	HF42	d/b	16.9	19.7	22.5	25.4	28.2
1 : 1.00			16.9	19.7	22.5	25.4	28.2
1 : 1.25			19.5	21.8	24.0	26.3	28.6
1 : 1.50			21.3	23.1	25.0	26.9	28.8
1 : 1.75			22.5	24.1	25.7	27.4	29.0
1 : 2.00			23.5	24.9	26.3	27.7	29.1
1 : 2.25			24.2	25.4	26.7	28.0	29.2
1 : 2.50			24.8	25.9	27.0	28.2	29.3
1 : 2.75			25.2	26.3	27.3	28.3	29.3
1 : 3.00			25.6	26.6	27.5	28.5	29.4

Source: Robert J. Fick

Copyright: Beverage Industry April 1984



for HFCS-42. The question is, given his planned production for the month: Is he better off using full replacement of sugar with HFCS-55 or would it be better for him to use sugar and HFCS-42.

Based upon his production schedule, the weighted average approval levels for this plant in a particular month would be indicated in Figure 2 (to simplify the example, ignore the differences in brix and sweetener requirements per case for 7UP, Dr Pepper and other products). The ratio of HFCS-42 to HFCS-55 would then be 40/100 or 1.0 to 2.5.

Referring again to the nomograph, the bottler uses the calculated ration to locate point "A" on the horizontal axis. He then follows the line upward to where it meets his quoted prices of $28 (refer to the left vertical axis) for HFCS-55 (point "B"). To get the exact break-even HFCS-42 price, the bottler would have to interpret between the price lines for $18 and $16 HFCS-42 (refer to right vertical axis). But since the break-even price is below the amount he was quoted for HFCS-42, he already knows he is better off with full replacement of sugar with HFCS-55 (Note: for negotiation purposes, he would probably have visually interpreted a breakeven price of $17.25 and said that he needs at least another quarter on HFCS-42).

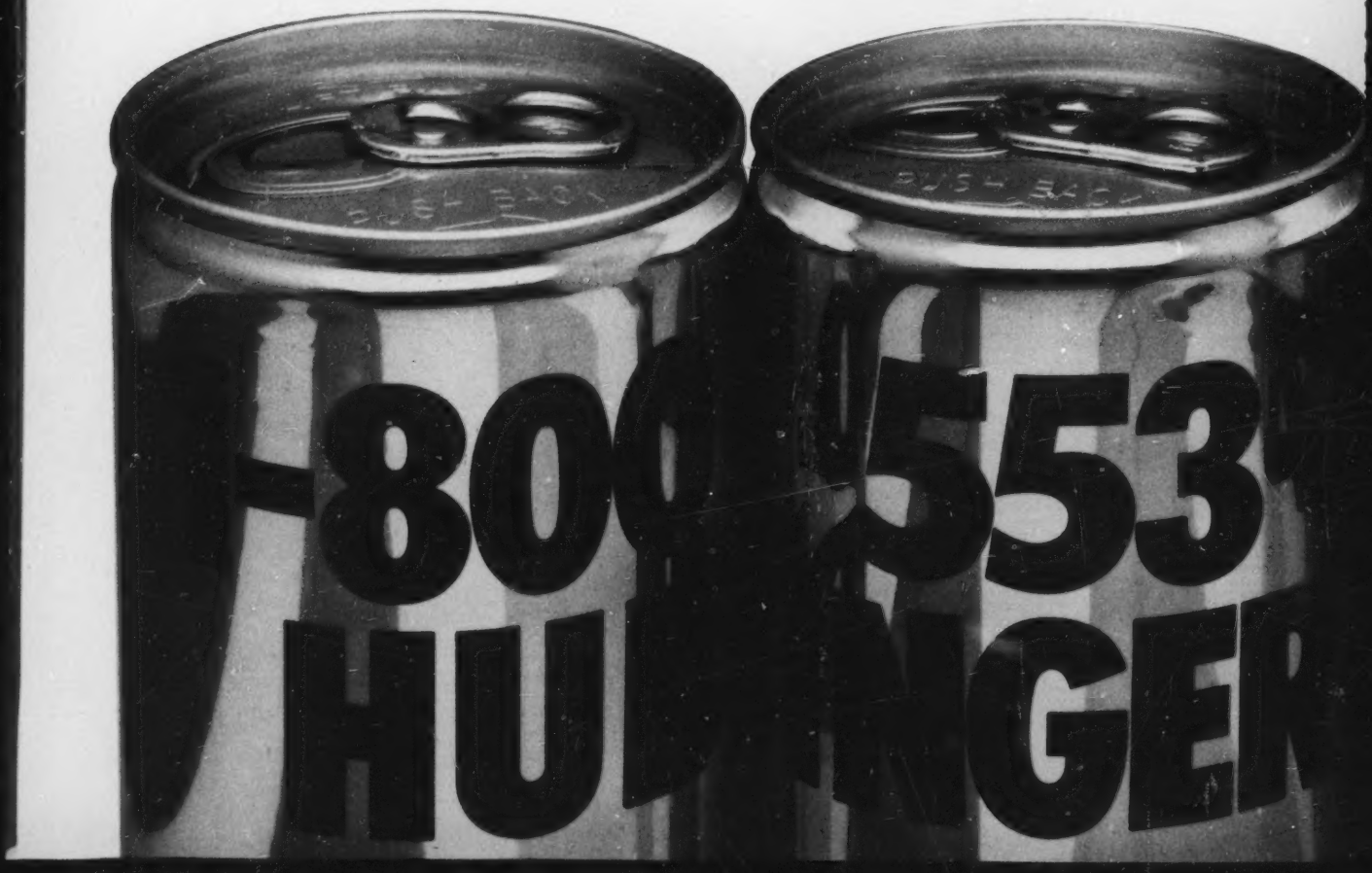
Simplified approach

Now, let us look at an easier calculation method for weighted average approval levels for HFCS-42 and HFCS-55.

Without referring to charts or graphs, simply subtract the price of HFCS-55 (on a dry basis) from the price of sugar (dry basis) and multiply the result by the ratio just calculated.

The product is the amount on a dry substance basis that HFCS-42 must be discounted relative to sugar in order for the bottler to breakeven with the savings he might have achieved using HFCS-55.

In our previous example, the prices quoted for sugar, HFCS-55 and HFCS-42 were $30 (dry), $28 (dry) and $18 (wet), respectively. In other words, HFCS-55 is discounted $2 to sugar on a dry substance basis. Multiplying this discount by the ration of the approval levels (calculated in our example as 1 to 2.5), HFCS-42 must be discounted ($2 x 2.5 or $5) to sugar on a dry basis for a bottler to be as



well off using sugar and HFCS-42. Converting back to a commercial basis (71% solids) the breakeven price for HFCS-42 is $25 x 71%, or $17.25.

To further illustrate, if a plant were bottling only 7UP, a high fructose supplier would have to discount HFCS-42 (dry basis to sugar) $4 for every dollar that HFCS-55 is discounted to sugar simply because the ration of the weighted average approval levels for HFCS-42 and HFCS-55 is 1 to 4 (HFCS-42 is approved at the 25% replacement level in 7UP while full replacement is allowed for HFCS-55—25/100 is the 1 to 4 ratio).

As previously stated, these examples admittedly ignore certain complicating factors such as overages that must be used to adjust the brix of the finished beverages but such adjustments can be factored into the derivation of the approval level ration.

As a final note, this method can also aid in evaluating a bottler's advantage/disadvantage (on a sweetener cost) relative to a competing brand or bottler. Similar methods can be used to evaluate the economic choice among other ingredients, particularly aspartame/saccharin. □

About the author

Robert Fick is an independent consultant providing specialized business-market planning services to members of the beverage industry. His highly diversified experience includes 19 years in marketing, finance, systems, manufacturing and engineering.

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Circle No. 147 on Reader Inquiry Card

RTS juices, juice drinks gain in declining market

Total dollar sales and gallonage figures for fruit beverages dropped 1% last year compared to 1982's figures. Sales for fruit beverages totalled $3,692.4 million in 1983 while 1982's totals were $3,730.4 million, according to information for the 12-month period supplied by the Florida Department of Citrus.

Ready-to-serve orange juice in bottles, cartons and plastic containers was the only segment which recorded a worthy gain, 11%. Sales for this segment for 1983 were $465.8 million, compared to '82's figures of $420.4 million.

The largest drop, according to the departmental report, was reflected in sales figures for frozen concentrated orange juice; $1,078.2 million in '83 compared to '82's marks of $1.180.6 million, illustrating a 9% drop.

It should be noted that data supplied by the department has been corrected to reflect more current sales and gallonage data. An official with the department of citrus pointed out that the figures supplied by the state agency differ from those supplied by A.C. Nielsen's audit of 1,300 food stores.

Frozen concentrated grapefruit juice nosedived also, according to

Consumer purchases of fruit juices and fruit drinks—November 1982-1983

	Millions of Single Strength Gallons		%	Expenditures—Millions of Dollars		%
	1983	1982	Change	1983	1982	Change
Total Fruit Beverages	**$1486.52**	**$1496.74**	**- 1%**	**$3692.4**	**$3730.8**	**- 1%**
Total Fruit Juice	**1105.30**	**1122.43**	**- 2**	**2829.2**	**2932.4**	**- 4**
Total Orange Juice	**675.83**	**683.71**	**- 1**	**1617.6**	**1676.7**	**- 4**
Frozen Concentrated Orange Juice	470.08	500.23	- 6	1078.2	1180.6	- 9
Ready-To-Serve In Bottles, Cartons, Plastic	182.14	159.33	+14	465.8	420.4	+11
Ready-To-Serve In Cans	13.37	14.64	- 9	45.8	49.0	- 6
Total Grapefruit Juice	**64.14**	**66.45**	**- 3**	**150.1**	**168.0**	**-11**
Frozen Concentrated Grapefruit Juice	13.86	14.50	- 4	28.3	33.8	-16
Ready-To-Serve In Bottles, Cartons, Plastic	13.85	13.27	+ 4	42.0	44.7	- 6
Ready-To-Serve In Cans	35.97	38.32	- 6	78.5	88.4	-11
Total Other Fruit Juices	**365.31**	**372.27**	**- 2**	**1061.5**	**1087.7**	**- 2**
Frozen Concentrated Juices—Other Flavors	122.34	121.42	+ 1	275.8	274.4	+ 1
Ready-To-Serve In Bottles, Cartons, Plastic	159.01	158.59	NC	534.4	540.8	- 1
Ready-To-Serve In Cans	79.35	87.96	-10	237.5	260.1	- 9
Total Fruit Drinks	**381.22**	**374.32**	**+ 2**	**863.2**	**798.5**	**+ 8**
Total Orange Flavored Drinks	**106.12**	**126.81**	**-16**	**182.0**	**214.9**	**-15**
Frozen Concentrated Regular and Synthetics	13.87	15.57	-11	27.2	30.7	-11
Ready-To-Serve In Bottles, Cartons, Plastic	19.49	20.41	- 5	43.9	43.9	NC
Ready-To-Serve In Cans	7.95	9.95	-20	14.1	18.8	-25
Powdered Instant Breakfast Drinks—Orange	64.85	80.88	-20	96.9	121.5	-20
Total Other Flavored Drinks	**275.10**	**247.50**	**+11**	**681.2**	**583.6**	**+17**
Frozen Concentrated Drinks—Other Flavors	82.31	81.83	+ 1	153.8	155.3	- 1
Ready-To-Serve In Bottles, Cartons, Plastic	100.25	81.43	+23	315.2	240.0	+31
Ready-To-Serve In Cans	79.84	77.96	+ 2	159.5	168.4	- 5

Source: Florida Department of Citrus

Copyright: Beverage Industry

the sales figures. A 16% decrease was recorded in 1983, with $28.3 million last year compared to '82's figures of $33.8 million. The largest sales loser in the beverage scene belongs to ready-to-serve orange drinks in cans. This segment dropped 25% in sales in '83 compared to '82. $14.1 million was recorded last year while $18.8 million was received two years ago. Another big loser last year was powdered instant orange breakfast drinks with a 20% drop in sales. Figures marked last year were $96.9 million while '82's amounts totalled $121.5 million.

Gallonage figures

Gallonage reflects, for the most part, the sales totals, according to the departmental report.

Ready-to-serve orange juice in bottles, cartons and plastic increased 14% last year compared to the previous period; 182.14 million gals. were purchased in '83 while 159.33 million gals. were registered two seasons ago. The largest drop in gallonage sales was in ready-to-serve orange juice in cans. Statistics reflect a 9% drop, as '83's marks showed 13.37 million gals. purchased measured against '82's figures of 14.64 million.

The biggest gallonage winner, according to the report, shows a 23% gain by ready-to-serve flavored drinks served in bottles, cartons and plastics. Over 100.25 million gals. were purchased last year compared to 81.43 million gals. two years ago. The report, however, does not specify the flavor of the drinks. The report only identifies the segment as "Total Other Flavored Drinks."

Two other segments dropped gallonage considerably, orange-flavored drinks in ready-to-serve cans, and orange-flavored powdered instant breakfast drinks. Both segments recorded 20% declines over the previous year's totals. Orange-flavored drinks in ready-to-serve cans dropped from 9.95 million in '82 to a low of 7.95 million last year. Meanwhile, figures for orange-flavored powdered instant breakfast drinks show a sizable drop in sales from 80.88 million gals. in '82 to 64.85 million gals. last year. □

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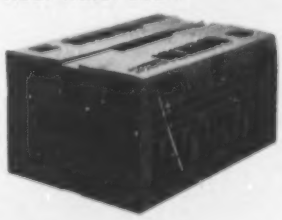

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Circle No. 131 on Reader Inquiry Card

NutraSweet pushes 14% sales jump in '83

The retail powdered drink industry experienced a 14% increase in 1983 over 1982 figures, reflecting $800 million in total sales, according to John Maxwell, **Beverage Industry's** director of research and statistics.

The increase, according to Maxwell, may be attributed primarily to NutraSweet. "This low-calorie sugar substitute has significantly aided and should continue to aid the growth of the powdered beverage market, particularly the presweetened, low-calorie sector," says Maxwell.

Such a belief may be illustrated by the substantial gains of last year for General Foods' presweetened Kool-Aid and Borden's Wyler brand. Dollar sales were up about 25%, says Maxwell, mainly because aspartame-based drinks generate higher retail dollars than unsweetened and sugar-sweetened products. "This increase came despite some discounting during the year for certain products at the retail level," Maxwell says.

Retail Volume of Powdered Drink Mixes

(Mil. Gal. Equivalent, Water-Base Beverages Only)

	1980		1981		1982		1983		Change
	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	1982/85
General Foods									
Kool-Aid*	486.5	43.7%	520.0	46.4%	546.0	47.9%	606.0	46.6%	11.0%
Kool-Aid†	165.9	14.9	142.7	12.7	143.0	12.5	197.0	15.2	37.8
Crystal Light	—	—	—	—	—	—	55.0	4.2	—
Country Time	72.4	6.5	64.4	5.8	62.2	5.5	44.0	3.4	(29.3)
Total	**724.8**	**65.1**	**727.1**	**64.9**	**751.2**	**65.9**	**902.0**	**69.4**	**20.1**
Borden									
Wyler†	67.2	6.0	98.4	8.8	153.6	13.5	191.5	14.7	24.7
Borden Prize	—	—	—	—	—	—	—	—	—
ReaLemon Crystals	9.6	0.9	12.0	1.1	7.2	0.6	3.5	0.3	(51.4)
Total	**76.8**	**6.9**	**110.4**	**9.9**	**160.8**	**14.1**	**195.0**	**15.0**	**21.3**
Coca-Cola									
Hi-C	33.6	3.0	26.4	2.4	—	—	—	—	—
Minute Maid	40.3	3.6	36.3	3.2	31.0	2.7	28.0	2.2	(9.7)
Total	**73.9**	**6.6**	**62.7**	**5.6**	**31.0**	**2.7**	**28.0**	**2.2**	**(9.7)**
R. J. Reynolds									
Hawaiian Punch*	27.0	2.4	16.0	1.4	12.0	1.1	6.0	0.5	(50.0)
Hawaiian Punch	41.0	3.7	39.0	3.5	22.0	1.9	14.0	1.0	(36.4)
Total	**68.0**	**6.1**	**55.0**	**4.9**	**34.0**	**3.0**	**20.0**	**1.5**	**(41.2)**
Pillsbury									
Funny Face	—	—	—	—	—	—	—	—	—
Squoze	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—
Lipton Lemon Tree	25.0	2.1	11.5	1.0	4.0	0.4	1.0	0.1	(75.0)
Private Labels & Others	146.8	13.2	153.3	13.7	159.0	13.9	154.0	11.8	(3.1)
Total Market Volume	**1,113.3**	**100.0%**	**1,120.0**	**100.0%**	**1,140.0**	**100.0%**	**1,300.0**	**100.0%**	**14.0%**
Total Sales ($ Mil.)	**$629**		**$680**		**$640**		**$800**		

*Unsweetened.
†Presweetned, includes aspartame.

Copyright: Beverage Industry and John Maxwell

Annual figures

There are 11 powdered drink mixes on the market, according to Maxwell's report. Of those 11 drinks, only three recorded increases in sales and percentages: unsweetened Kool-Aid; and aspartame-sweetened Kool-Aid; and aspartame-sweetened Wyler's.

According to the figures, aspartame-sweetened Kool-Aid recorded a big 37.8% increase last year over 1982's marks with $197 million in sales volume. Another big winner was aspartame-sweetened Wyler's with a 24.7% increase over '82's sales figures.

Three well-known powdered drinks did poorly in sales last year. The biggest loser was Lipton's Lemon Tree, which saw its sales volume drop from $4 million in 1982 to only $1 million last year, representing a big 75% loss.

Two other losers last year in the powdered drink market were ReaLemon Crystals and unsweetened Hawaiian Punch. The two drinks recorded drops of 51.4% and an even 50%, respectively, over 1982's volumes.

Overall advertising costs for powdered drink products increased 33.5% during the year also. Total dollars were $36.7 million versus $27.5 million in '82, according to Maxwell.

General Foods was the top advertiser last year, accounting for 90% of the segment's advertising. The company increased its year-to-year spending by 38.1%. Although General Foods lowered the dollars allotted for Country Time, advertising revenues for Kool-Aid increased by nearly 26%.

Borden and R.J. Reynolds, says Maxwell, also posted impressive gains in advertising for their powdered drink mixes, 55% and 50%, respectively. □

Retail Volume of Instant Breakfast Drinks

(Mil. Gal. Equivalent, Water-Base Beverages Only)

	1980	1981	1982	1983	Change 1982/83
General Foods					
Tang	61.5	63.5	61.0	60.0	(1.6)%
Start	0.1	—	—	—	—
Borden					
Instant Breakfast	5.2	4.0	3.0	2.0	(33.3)
Private Labels & Others	12.9	8.2	8.7	9,.3	6.9
Total Volume	**79.7**	**75.7**	**72.7**	**71.3**	**(1.9)**
Total Sales ($ Millions)	**$129.7**	**$145.0**	**$120.0**	**$118.0**	**(1.7)%**

Institutional Food Service Sales of Concentrated Drink Mixes

(Mil. of Gallons)

	1980	1981	1982	1983	Change 1982/83	1983 Market Shares Powders	Total
Powders							
General Foods							
Twist	8.8	8.9	8.9	8.1	(9.0)%	17.6%	5.3%
Coca-Cola							
Hi-C	3.9	5.8	6.4	7.8	21.9	17.0	5.2
Nestle							
Keen	4.1	4.3	4.8	4.6	(4.2)	10.0	3.0
Amstar							
Dominade	3.5	3.6	4.1	3.7	(9.8)	8.0	2.4
Borden							
Wyler's	2.3	2.0	1.8	2.8	55.6	6.1	1.9
Iroquois Grocery Products (Cramore)							
Drl-Syrups	1.0	1.5	1.8	1.6	(11.1)	3.4	1.1
Crystals	0.5	0.5	0.5	0.5	—	1.1	0.3
Total	**1.5**	**2.0**	**2.3**	**2.1**	**(8.7)**	**4.6**	**1.4**
Nabisco Brands							
Royal	—	—	—	—	—	—	—
Private Labels & Others	28.2	23.4	22.5	16.9	(24.9)	36.7	11.1
Total Powdered Volume	**52.3**	**50.0**	**50.8**	**46.0**	**(9.4)**	**100.0%**	**30.3**
Syrups							
Total Drink Mix Volume	116.0	118.0	118.0	106.0	(10.2)		69.7
	168.3	168.0	168.8	152.0			100.0%
Total Sales ($ Mil.)	$119	$135	$165	$170	$153		

Lehman Brothers Kuhn Loeb Research estimates.

Non-sparkling water at 76.1% of U.S. bottled water market

"For that segment of the population which is diet and health conscious, sodium and caffeine conscious, what could be better than natural waters?"

That question, posed by Janet Fanshawe, vp of Beverage Marketing Corp., illustrates the demographics of many people drinking bottled water today. The complete story of this market's growth, however, includes much more than health concerns.

The growth of the largest segment of the market, the non-sparkling category, estimated by BMC to be 76.1% or 711.0 million gallons of the 1983 bottled water market, has been traditionally the result of real, as well as perceived, quality problems with municipal water supplies, says Fanshawe. As an example, she cites California's perceived taste problems with its water as being one reason for its high per capita consumption.

The domestic sparkling waters, club soda and seltzers, on the other hand, have borrowed from the hype surrounding imported waters to fuel their growth, helping to maintain the 14% annual growth rate that the bottled water market has experienced in recent years.

"The 1984 Bottled Water Market and Packaging Report," the latest study compiled by BMC, is the first comprehensive report on this segment of the beverage industry. Consisting of facts and figures on national, regional and state markets, non-sparkling and sparkling segments, packaging, demographics, distribution and pricing, the report makes one thing clear: What has traditionally been called "the bottled water market" is really two, possibly, three, separate markets, each following its own growth rate, trends, demographics and driving forces.

In addition to the already mentioned effects of municipal water quality problems, since 1977, non-sparkling water has shared in some of the glamor heaped on sparkling water as a result of the influx of imports, particularly Perrier. According to BMC statistics, non-sparkling gallonage, which stood at 256.7 million in 1977, had increased to 352.9 million by 1978, representing an increase of 37.5%. It was between '77 and '78 that the Perrier ad campaign broke and bottled water finally came out of the office water cooler.

Sparkling water, both domestic and club/seltzer, followed a different growth pattern, says Fanshawe, that finds its origins on Madison Avenue and is more closely allied with trends marking the soft drink industry. It is here that the divergence of the growth of non-sparkling and sparkling becomes apparent.

Market grows

According to the report, 1976 gallonage figures for all categories of the market stood as follows: non-sparkling, 237.9 million; domestic sparkling 16.3 million; club/seltzer, 51.6 million; and imports (shipments not sales) 1.2 million.

The domestic sparkling category at this point was still immature; with few companies competing outside local markets. Club/seltzers, on the other hand, were enjoying sales as mixers, Perrier and other imports were as yet unheard of, and non-sparkling was taking the place of unacceptable municipal water supplies in various areas.

In 1977, all of America became acquainted with Perrier and, says Fanshawe, "benefitted from their ad spending both in glamorizing waters and increasing bottled water awareness." What followed was the growth of all sparkling waters and a surge in the total bottled water market.

"Perrier got national distribution at a premium price for a premium product," recalls Fanshawe. "Once that marketplace was

U.S. bottled water market

	Total Gallonage (millions)	Per Capita Consumption (gal)
1976	307.0	1.4
1977	335.1	1.5
1978	480.2	2.2
1979	564.5	2.5
1980	628.2	2.8
1981	720.3	3.1
1982	816.1	3.5
1983(E)	934.6	4.0

Source: Beverage Marketing Corp.

Copyright: Beverage Marketing Corp., Beverage Industry, January 1984

opened, you had a lot of room to grow the sparkling water category. Domestic sparkling waters increased their gallonage with consumers who were trading down from the imports.

"Then, there was the advent of club/seltzers. Producers started saying, 'We can reposition our product as a sparkling water and look at the business we'll get.' People were now offered a trade down from domestic sparkling waters. Also realize that the club/seltzers had the strength of a soft drink network behind them for national distribution and national ad dollars."

By 1978, the gallonage figures had taken a startling leap: non-sparkling was up to 352.9 million; domestic sparkling, 60.5 million; club/seltzer, 53.1 million; and imports, 13.4 million. Although the figures show the club/seltzer category had not yet blossomed, that would come later.

"Around 1979-1980," reports Fanshawe, "there was a tremendous amount of private label club/seltzer business that attracted the price-conscious consumer." Hence, a further trade down. By 1981, club/seltzer gallonage stood at a whopping 95.0 million gallons—nearly a 100% increase in three years. That same year, non-sparkling gallonage checked in at 537.7 million; domestic sparkling, 76.0 million; and imports, 11.6 million.

Since that year, despite the cannibalization of one sparkling segment by another, the entire bottled water market has grown. BMC estimates that for 1983, domestic sparkling gallonage will total 81.6 million; club/seltzer, 127.6 million; imports, 14.4 million; and non-sparkling, 711.0 million. "There's no nationally branded non-sparkling water, no national ads and no national organization, but it is growing at a rate of about 15%. Imagine if that was fueled," comments Fanshawe.

For more information, or to purchase BMC's 1984 Bottled Water Market & Packaging Report, contact Janet Fanshawe, Beverage Marketing Corp., 866 Second Ave., New York, NY 10017; or telephone 212/688-7640.□

U.S. bottled water market gallonage* by segment

	Non-Sparkling	Sparkling		Imports	Total
		Domestic Sparkling	Club/Seltzer		
1976	237.9	16.3	51.6	1.2	307.0
1977	256.7	22.0	53.1	3.3	335.1
1978	352.9	60.5	53.4	13.4	480.2
1979	402.0	71.4	63.0	28.1	564.5
1980	463.1	75.7	78.0	11.4	628.2
1981	537.7	76.0	95.0	11.6	720.3
1982	614.0	79.2	110.0	12.9	816.1
1983(E)	711.0	81.6	127.6	14.4	934.6

*Millions of Gallons
Source. Beverage Marketing Corporation.

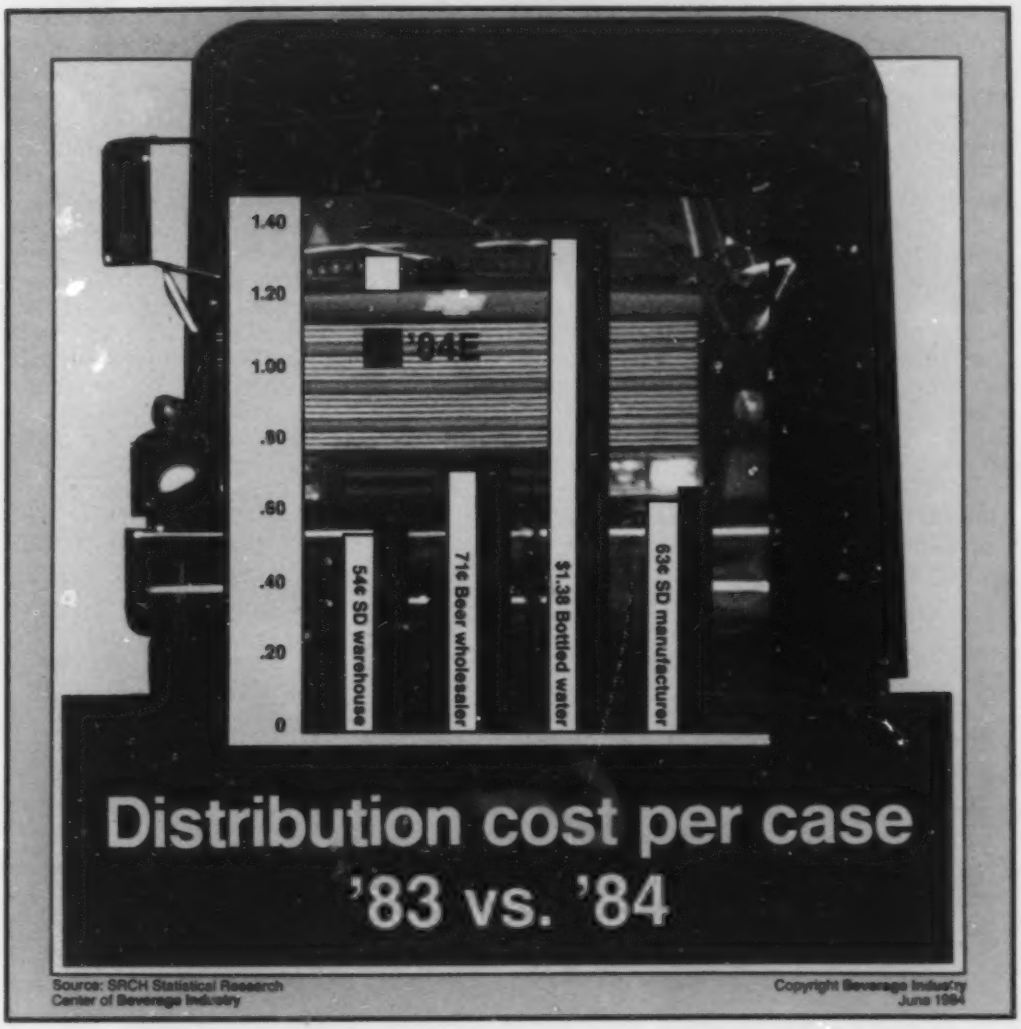
Copyright: Beverage Marketing Corp., Beverage Industry, January 1984

U.S. bottled water market share by segment

	Non-Sparkling	Sparkling		Imports	Total
		Domestic Sparkling	Club/Seltzer		
1976	77.5%	5.3%	16.8%	0.4%	100.0%
1977	76.6	6.6	15.8	1.0	100.0
1978	73.5	12.6	11.1	2.8	100.0
1979	71.2	12.6	11.2	5.0	100.0
1980	73.7	12.1	12.4	1.8	100.0
1981	74.6	10.6	13.2	1.6	100.0
1982	75.2	9.7	13.5	1.6	100.0
1983(E)	76.1	8.7	13.7	1.5	100.0

Source: Beverage Marketing Corporation.

Copyright: Beverage Marketing Corp., Beverage Industry, January 1984



Higher distribution costs likely in '84

The three major beverage segments in the U.S.—soft drinks, beer and bottled water—are expecting higher distribution costs per case this year, according to a recent **Beverage Industry** survey.

According to the results, soft drink warehouse managers are expecting to pay approximately 4% more this year than last year. The average cost per case for soft drink warehouses in 1983 was 54 cents, but managers expect to pay roughly 56 cents per case this year. Meanwhile, soft drink manufacturers expect distribution costs per case to rise from an average 63 cents to 66 cents this year.

Beer wholesalers, who report paying 71 cents for '83, are anticipating a cost of 74 cents per case while bottled water manufacturers are expecting to pay $1.42 per case, up from $1.38 last year.

Extensive survey

These figures were compiled from extensive interviews of the decision makers within the beverage industry. The study was coordinated by SRCH Statistical Research Center and compiled by Infometrics National Research

1984 Expected distribution costs

	Beer Wholesaler	Soft Drink Plant	Soft Drink Warehouse	Bottled Water Plant	Total Industry
Labor					
Increased	67.3%	70.6%	66.7%	88.9%	73.4%
Decreased	5.8%	5.9%	22.2%	7%	10.2%
Stayed Same	26.9%	23.5%	11.1%	11.1%	16.2%
Avg. Incr. 9.73%					
Avg. Dec. 7.8%					
Fuel					
Increased	59.4%	50%	50%	88.9%	62.1%
Decreased	8.5%	6.3%	20%	8.3%	10.8%
Stayed Same	32.1%	43.8%	30%	11.1%	29.3%
Avg. Incr. 7.23%					
Avg. Decr. 15.17%					
Maintenance					
Increased	50%	47.1%	22.2%	66.7%	46.5%
Decreased	16%	5.9%	22.2%	11.1%	13.8%
Stayed Same	34%	47.1%	55.6%	22.2%	39.7%
Avg. Incr. 13.76%					
Avg. Decr. 14.24%					
Replacing/adding trucks and bodies					
Increased	60.4%	38.5%	42.9%	80%	55.5%
Decreased	6.9%	5.4%	6.2%	7.1%	6.4%
Stayed Same	32.7%	61.5%	57.1%	20%	42.8%
Avg. Incr. 9.8%					
Avg. Decr. 42.6%					
Local, State and Federal Taxes					
Increased	50.5%	46.7%	14.3%	66.7%	44.8%
Decreased	4.1%	3.1%	5.4%	4.8%	4.4%
Stayed Same	45.4%	53.3%	85.7%	33.3%	54.4%
Avg. Incr. 4.88%					
Avg. Decr. 3.14%					
Other					
Increased	40.9%	25%	50%	100%	54%
Decreased	4.5%	25%	10.5%	6.7%	11.7%
Stayed Same	54.5%	50%	50%	48.2%	50.7%
Avg. Incr. 5.10%					
Avg. Decr. 6%					

Source: SRCH Statistical Research Center for Beverage Industry

Copyright: Beverage Industry June 1984

Center, affiliates of Harcourt Brace Jovanovich Publications, exclusively for **BI**.

According to the study, soft drink warehouses experienced the largest case volume increase over last year's figures, reporting an 11% mark. Bottled water manufacturers say that their case volume increased an average of 10% over '83 figures.

The soft drink makers say that they had an average 2% increase in case volume over last year while beer wholesalers claim a 1% increase in case volume.

According to the study, 66% of the total industry (beer wholesalers, soft drink plants, soft drink warehouses and bottled water plants) have reported an increase in their costs per case; 9.9% of the industry reported a decrease; and 26.4% said their distribution costs remained the same from '82 to '83.

In the soft drink segment, 63.2% of the responding plant managers report that distribution costs have increased over last year while 10.5% report a decrease in costs with 26.3% saying that there is no change. But, soft drink warehouse respondents say that their distribution costs have increased while 11.5% claim a decrease, with another 44.4% claiming no change in costs.

A large 76.2% of the responding beer wholesalers claim that their costs have increased; 8.9% reported decreases and 14.9% of those responding said their costs have stayed the same.

Meanwhile, 80% of the management for bottled water plants responding to the survey said their distribution costs have climbed while 9.2% said their costs have decreased; 20% of the respondents for the segment said their costs have remained the same.

Cost increasing

Labor is by far the most expensive element in the cost of distribution. It makes up around 35% of the total cost in each of the surveyed beverage segments.

Fuel is next in importance, averaging from a low of 12% in

beer wholesaler operations to a high of 17% in bottled water firms. Soft drink warehouses have a higher percentage of their costs in maintenance and replacement of trucks and bodies than do the other beverage industry businesses. (One reason for this possibly is that the "other" category—where warehouses are lowest—include supplies which are normally centrally ordered by the warehouse's headquarter plant. In other words, they are not spending more on maintenance and trucks, only that it is a higher percentage of their total costs.)

More than half the operations experienced increases in nearly every major category in '83 and virtually the same percentage is projecting increases in '84. The average increase expected in labor costs is 9.73%; in fuel, 7.23%; in maintenance, 13.76%; in replacement and addition of new trucks and bodies, 13.76%; and in taxes, 4.88%.

More than half of all operators, however, expect the increases to be less than $500,000. Surprisingly, 10.5% of the soft drink plant respondents say they expect their increases to be considerably over $1.5 million.

The majority of beer wholesaler and soft drink firm respondents indicated they had not increased the number of beverage trucks in the past year: 56.5% of the wholesalers; 68.2% of the soft drink firms.

Roughly 30% of these firms, however, indicated they had increased the number of trucks during the past year: 27.8% of the wholesalers; 29.1% of the soft drink respondents.

On the bottled water side, the reverse was true. Only 36.4% of the firms said the number of trucks had remained the same; 63.6% of these firms increased their fleet.

The average increase for all three industries was 17.5% for trucks.

Meanwhile, 15.7% of the wholesalers decreased the number of trucks used and 13.6% of the soft drink operators did the same.

1983 Distribution costs by specific area

	Beer Wholesaler	Soft Drink Plant	Soft Drink Warehouse	Bottled Water Plant	Total Industry
Labor					
Increased	77.2%	70.6%	87.5%	66.7%	75.5%
Decreased	5.9%	5.9%	5.7%	6.2%	5.9%
Stayed Same	16.8%	23.5%	12.5%	33.3%	21.5%
Avg. Incr. : 8.34%					
Avg. Decr. : 5.5%					
Fuel					
Increased	55%	50%	62.5%	70%	59.4%
Decreased	27%	12.5%	12.5%	10%	15.5%
Stayed Same	18%	37.5%	25%	20%	25.1%
Avg. Incr. : 6.95%					
Avg. Decr. : 5.78%					
Maintenance					
Increased	66.7%	58.8%	75%	75%	68.9%
Decreased	13.1%	5.9%	12.5%	11.1%	10.7%
Stayed Same	20.2%	35.3%	12.5%	25%	23.3%
Avg. Incr. : 14.45%					
Avg. Decr. : 12.38%					
Replacing, adding bodies, trailers					
Increased	55.2%	57.1%	57.1%	55.6%	56.3%
Decreased	7.3%	14.3%	14.3%	11.1%	11.8%
Stayed Same	37.5%	28.6%	28.6%	33.3%	32%
Avg. Incr. : 15.61%					
Avg. Decr. : 10.63%					
Local, State and Federal Taxes					
Increased	51.1%	68.8%	16.7%	50%	46.7%
Decreased	7.8%	6.3%	33.3%	12.5%	15%
Stayed Same	41.1%	25%	50%	37.5%	38.4%
Avg. Incr. : 15.22%					
Avg. Decr. : 11.13%					
Other					
Increased	40%	50%	50%	33.3%	43.3%
Decreased	10%	14.8%	50%	33.3%	27%
Stayed Same	50%	50%	44.4%	33.3%	44.4%
Avg. Incr. : 9.33%					
Avg. Decr. : 22.25%					

Source: SRCH Statistical Research Center for Beverage Industry

Copyright: Beverage Industry June 1984

Percentage of costs by areas

	Beer Wholesaler	Soft Drink Plant	Soft Drink Warehouse	Bottled water Plant	Total Industry
Labor	35.0%	34.0%	35.0%	39.0%	35.6%
Fuel	12.0	15.5	15.7	17.0	13.6
Maintenance	11.2	12.5	17.3	13.4	12.5
Replacing-adding trucks and bodies	10.9	9.9	19.8	8.3	10.1
Taxes	10.7	7.1	5.6	8.9	9.9
Other*	20.2	21.0	6.6	13.4	18.1

Source: SRCH Statistical Research Center for Beverage Industry

Copyright: Beverage Industry June 1984

* Includes overhead and supplies (tires, lubricants, etc.)

Computer use in distribution operation

	Beer Wholesaler	Soft Drink Plant	Soft Drink Warehouse	Bottled Water Plant	Total Industry
Inventory Control	94.2%	80%	71.4%	28.6%	68.6%
Printing Invoices	68.1%	90%	85.7%	85.7%	82.4%
Receiving/Entering Orders	78.3%	50%	85.7%	14.3%	57.1%
Producing Order Pick Sheets	34.3%	20%	57.1%	22.2%	33.5%
Mapping Delivery Routes	8.7%	10%	42.9%	28.6%	22.6%

Source: SRCH Statistical Research Center for Beverage Industry

Copyright: Beverage Industry June 1984

Profile of straight truck fleets by industry segment

	Beer Distributors	Soft Drink Plants	Soft Drink Distributors	Bottled Water Plants
Average No. Straight Trucks per firm	18	21	17	7
Average Yearly	102,987	9,049	85,399	8,203
% of Straight Trucks Owned	90%	100%	75%	100%
% of Straight Trucks Leased	10%	0	25%	0
Average Age of vehicles	4.8 Yrs.	4.9 Yrs.	6.8 Yrs.	6 Yrs.
Average MPG	5.79 MPG	5.8 MPG	6 MPG	7 MPG
Average No. Deliveries per day/per vehicle	14	15	12	15
Average size (weight) of vehicles	23,685 lbs.	24,269 lbs.	24,844 lbs.	21,171 lbs.

Copyright: Beverage Industry June 1984

Source: SRCH Statistical Research Center for Beverage Industry

The decrease in the number of trucks was more than made up by the increased use of trailers across the board; 1 of the wholesalers; 22.2% of the soft drink firms; and 20% of the bottled water operations indicated they had added tractors to their fleets.

The average number of trailers added per operation was 8.9. (Three respondents indicated 100-plus; their responses, however, were not included in the average.)

The number of route trailers used, according to the respondents, increased an average of 36.3% while averaging a decline of 15.3%. Figures for all three industries are: increase, 16.9%; decrease, 3.6%; no change, 83.1%.

Eleven percent of the beer wholesalers reported an increase while only 3.7% reported decreases; 85.4% of those polled, however, said that the number of route trailers used has remained the same.

The soft drink industry recorded the largest increase among the three industries. Soft drink warehouses claim to have increased their route trailers by 22.2% while 4.3% say they have decreased their trailers while the remaining 77.8% of those polled say they have neither increased nor decreased their route trailer numbers. In the soft drink plants, 14.3% of the respondents say they have increased their route trailers with 2.7% decreasing their numbers. A large 85.7% claim no increase or decrease.

Meanwhile, 20% of those in the bottled water industry report an increase in route trailers used while 3.5% say they have decreased route trailer use; 80% claim no change.

Tel-Sell growing

Use of tel-sell techniques will continue in the industry. A total of 19% of the respondents from soft drink plants and warehouses did not use the methods, but 6% of this base said they intend to start. Of those already in tel-sell, 13.6% said they intended to expand their

usage. No one indicated they were decreasing coverage.

Among beer wholesalers, tel-sell is not widely used; 76% of the respondents in this industry said they did not use it. Of those who do, 26% are planning to expand coverage and 3.8% said they were decreasing usage.

In the bottled water industry, tel-sell is used by 45.4% of the respondents. But, 45.5% of these firms indicated they are expanding theis service; no one indicated they were decreasing usage.

All three industries will continue to service low-volume accounts as in the past. But, 27.3% of the soft drink plants and warehouses indicated they have reduced service because of the higher distribution costs for these accounts with 4.5% indicating they had discontinued service to some accounts.

Although 79.2% of the beer wholesalers said service would remain the same, 17.9% indicated that it would be restricted. Only 2.8% said they have discontinued service.

The great majority of fleet personnel are company-employed as opposed to being "leased with the vehicles." Over 98% of the employees in distribution are hired directly by the company.

Most of the drivers are not unionized; 71.7% of the wholesalers, 63.9% of the soft drink firms and 88.9% of the bottled water plants are not organized. Of those which are unionized, 40.5% are affiliated with national Teamsters and 56.8% with a local.

Unionized drivers and helpers make more money, of course. The average hourly rate for unionized drivers was $10.22; nonunion drivers average $8.26 per hour. Salaries reported ranged from a low of $90 per week to a high of $540 per week. Unionized helpers are paid an average of $7.47; non-union helpers receive $5.22 per hour.

Unionized mechanics average $12.38 per hour, nonunion mechanics are compensated at $10.69 per hour. Some of the operators indicated they used "outside" mechanics, usually as part of their leased-vehicle contract. In those cases, the firm paid an average of $19.98 per hour.

Projected increase in distribution costs 1984

Total	Beer Wholesaler	Soft Drink Plant	Soft Drink Warehouse	Bottled Water Plan	Total Industry
Under $500,000	55%	52.2%	57.0%	50.0%	63.6%
500,001-600,000	11.3	11.9	10.5	10.0	9.1
600,001-700,000	4.0	4.6	5.0	*	9.1
700,001-800,000	7.9	9.1	5.3	10.0	*
800,001-900,000	4.0	4.6	4.6	10.0	*
900,001-$1 Million	2.6	3.7	1.8	*	*
$1 Million-$1.5 Million	7.3	7.3	5.3	10.0	9.1
Over $1.5 Million	8.6	7.3	10.5	10.0	9.1

Source: SRCH Statistical Research Center for Beverage Industry

Copyright: Beverage Industry June 1984

The results of the survey also show that commissions are used by more than 50% of the beverage firms responding. They range from 10 cents a case in one example up to $28,000 a year in others.

Computers expanding

Since computers first found a home in the beverage business as the most convenient and fastest means of billing and invoicing, their use has expanded greatly. One-third of the respondents indicated they were currently using computers in their firms.

Inventory control and invoicing are the major uses to which the equipment is put, but 10% of the soft drink plants and 42.9% of the soft drink warehouses are now using computers for mapping and controlling delivery routes.

(Introduction of the new maintenance and fleet software evidently has not reached significant enough levels to be shown in the survey.) □

Profile Of Delivery Vans/Step Vans, Service Vehicles And Other Powered Vehicles

	Beer Distributors	Soft Drink Plants	Soft Drink Distributors	Bottled Water Plants
Average No. of Delivery/ Step Vans	3	2	6	6
Average No. Service Vehicles	3	4	4	2
Average No. of Other Powered Vehicles	16	17	15	12
Average Yearly Mileage (all three types)	64,468	93,610	71,719	17,500
% Owned	91%	100%	83%	100%
% Leased	9%	0	17%	0
Average Age of Vehicles	4 Yrs.	4.7 Yrs.	8 Yrs.	5 Yrs.
Average MPG	12 MPG	11 MPG	11 MPG	11 MPG
Average No. Deliveries Per Day/Per Vehicle	2	2	2	7

Source: SRCH Statistical Research Center of Beverage Industry

Copyright: Beverage Industry June 1984

70% of beverage firms plan capital expansion

From all indications, the recession has ended for the beverage industry. Increasing sales and the rosier outlook for the U.S. economy evidently has encouraged producers to get out their budgets and start upgrading their physical plants.

According to a recently completed **Beverage Industry** study, 70% of the nation's beverage plants are planning to make capital investments. Over 10% will make major investments of over $1 million. Of the 70% which indicated they have planned to make capital expenditures, 63% said that the amounts budgeted were higher than in 1983. At the time of the study, 16% had planned to increase their capital investments, but the dollar amount had not been budgeted.

This year's study, for the first time, was expanded to include all segments of the beverage industry: Soft drinks, noncarbonated beverages (including juice drinks), wine, malt beverages, bottled water and juices. In excess of 200 forms were processed represented approximately 17% of the randomly selected base. The study was done in conjunction with the Infometrics National Research Center of Harcourt Brace Jovanovich Publications and tabulated by the Beverage Industry Statistical Research Center.

Almost 60% of those planning to purchase equipment indicated they will spend more in 1984 than was spent in 1983.

Ten percent will double their expenditures and 13% will spend $1 million or more just on new equipment. 63% of the respondents indicated they had planned to invest in improving existing lines; 8% have budgeted in excess of $1 million for this purpose.

Twelve percent indicated they would install one new line in 1984; 6% have two lines on the drawing boards; 3% are planning to install three new lines and 3% will install more than three lines. 64% of the new lines will be for 16 oz. or .5-L bottles, 48% for cans, 44% for 1-L and 2-L.

Fillers are high on the shopping list. 67% of the respondents indicated they had planned to purchase these items. Conveyors will be purchased by 52% of the respondents. Next highest are planned purchases of post- and pre-mix filling equipment indicating bottlers are beginning to take a more serious look at the fountain segment.

In spite of continued sluggish sales, expansion can be expected to

1984 equipment purchasing plans vs. 1983 expenditures

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(134)	(50)	(21)	(9)	(17)	(16)	(21)
Will Spend More	63%	57%	50%	67%	71%	66%	67%
Up to 10% More	22	14	29	44	12	22	34
11-20% More	12	11	21	11	24	*	8
21-30% More	5	9	*	*	6	*	8
31-50% More	8	11	*	*	6	22	8
51-70% More	3	*	*	11	6	*	*
71-100% More	13	11	*	*	17	22	8
Will Spend Same	14	11	21	11	17	11	16
Will Spend Less	23	32	29	22	12	23	17
Up to 10% Less	1	*	*	*	*	*	*
11-20% Less	2	3	*	*	6	*	*
21-30% Less	2	3	*	11	*	*	*
31-50% Less	7	9	14	*	6	12	6
51-70% Less	*	*	*	*	*	*	*
71-100% Less	11	17	14	11	*	11	11

*Under 5%
Totals may not equal to 100 due to rounding
Source: HBJ Publications Statistical Research Center

Copyright: Beverage Industry November 1983

1984 planned capital expenditures

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(191)	(88)	(33)	(10)	(21)	(18)	(24)
None	30%	31%	34%	44%	25%	32%	30%
Under $10,000	4	4	5	7	*	7	3
10,000-24,999	8	6	10	7	8	10	11
25,000-49,999	4	4	5	*	3	7	*
50,000-99,999	4	5	*	7	3	*	*
100,000-199,999	12	12	15	10	7	13	6
200,000-299,999	5	4	3	17	6	*	3
300,000-399,999	1	1	*	3	*	*	*
400,000-499,999	3	2	3	3	3	*	3
500,000-999,999	7	5	8	3	3	10	14
$1 Million and over	10	10	3	*	24	6	8
Amount Not Specified	16	17	18	*	19	14	22

*Under 5%
Totals may not equal 100 due to rounding
Source: HBJ Publications Statistical Research Center

Copyright: Beverage Industry November 1983

1984 planned production equipment purchases

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(174)	(93)	(24)	(11)	(21)	(9)	(16)
Bottle Washer	12%	18%	7%	*	10%	*	15%
NR Bottle Washer	19	21	14	9	29	22	8
Bottle and/or Can Filler	37	67	21	36	52	33	31
Proportioning/Cooling/ Carbonation Equipment	13	32	7	*	5	11	*
Cappers	21	29	14	45	10	*	10
Decappers	2	3	*	*	5	*	*
Refrigeration Equip.	27	37	14	18	33	11	13
Can/Bottle Warmer	7	18	*	*	5	*	*
Post/Pre-Mix Tank Washer	5	13	*	*	5	*	*
Post/Pre-Mix Filling Equipment	7	46	*	*	*	11	8
Boilers	14	24	21	*	10	11	*
Syrup Mixing System	13	21	14	*	*	22	8
Liquid Sugar Production System	8	16	7	*	10	*	*
Pasteurizers	12	11	14	9	19	11	*
Water Treatment	20	26	21	9	10	22	15
Multiple Package for Glass	10	13	*	*	24	*	8
Multiple Package for Cans	13	16	7	*	29	11	*
Uncaser	7	13	*	*	14	*	*
Case Packer	22	24	14	18	24	22	15
Depalletizer	12	16	*	*	24	*	15
Palletizer	18	29	7	9	24	*	15
Shrink Wrapper	22	32	43	*	5	11	15
Labeling Machine	21	11	14	18	24	22	46
Accumulating Table	14	21	7	9	24	11	*
Conveyors	39	52	36	18	48	22	23
Hand Trucks	10	13	14	*	10	11	8
Forklift Trucks	38	32	36	36	38	22	39
Sound Abatement Equipment	6	11	*	9	10	*	*
Computing Equipment	20	27	16	9	14	6	*
Quality Control for Lab	32	42	29	36	29	11	23
Electronic Inspection	19	24	7	18	43	*	*
Visual Inspection	2	3	*	*	*	*	8
Coding Equipment	35	47	29	27	33	22	31
Sanitation Equipment	31	39	29	27	14	22	23

*Under 5%
Source: HBJ Publications Statistical Research Center

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1984 additional planned filling lines

	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(183)	(78)	(33)	(10)	(21)	(17)	(24)
1 Line	16%	12%	9%	10%	20%	43%	17%
2 Lines	12	6	8	10	20	14	17
3 Lines	3	3	0	*	13	0	0
More than 3 Lines	4	3	8	0	0	0	8
None	65	76	75	80	47	43	58
Size and type of packages new lines will produce							
BASE:	(161)	(77)	(26)	(9)	(17)	(11)	(21)
12 Oz. Cans	41%	48%	17%	0%	92%	*	13%
16 Oz. or ½ Liter	36	64	17	25	31	17	13
1 Liter	30	44	33	25	23	33	13
2 Liter	21	44	0	0	8	17	13
Other	48	36	67	75	39	50	100

*Under 5%
Totals may not equal 100 due to rounding
Source: HBJ Publications Statistical Research Center

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continue in the brewery industry. 75% of the respondents indicated they planned to make capital investments in 1984; 71% will spend more than they did in 1983.

New equipment purchases are also planned by these producers. 29% indicated they had planned to make investments of $1 million or more for equipment; 24% will spend in excess of $1 million for improving existing equipment and lines.

To replace existing equipment, 19% have budgeted $1 million or more.

Twenty percent said they had plans to install one new line in '84; 20% have plans for two line expansions and 13% for three line additions; 92% of the new lines will be for cans.

Can and bottle fillers are also high on the shopping list for these firms. 52% have planned to purchase units. Conveyors (48%) and electronic inspection equipment (43%) are also in demand.

Believe it or not, but some beverage producers say they incurred no cost increases in 1983. A lucky 5% had no increase in production costs; 12% had no increases in ingredient costs; 12% in distribution and 5% in packaging.

The other firms—by far in the majority—held their cost increases to between 1% and 10%. Among all categories, packaging costs appear to be the most manageable. 82% said packaging cost increases were less than 10%. □

1984 planned expenditures

New Equipment:	Total	Carbonated Beverages	Non-carbonated Liquid Beverages	Wine	Malt Beverages	Bottled Water	Juices
BASE:	(195)	(88)	(33)	(10)	(21)	(19)	(24)
None	27%	21%	31%	30%	29%	33%	33%
Under $10,000	1	3	*	5	*	*	*
10,000-24,999	9	8	8	20	5	*	17
25,000-49,999	6	10	8	*	5	22	*
50,000-99,999	1	*	*	5	*	*	*
100,000-199,999	6	5	8	*	5	22	*
200,000-299,999	8	8	8	30	5	*	8
300,000-399,999	*	*	*	*	*	*	*
400,000-499,999	1	3	*	*	*	*	*
500,000-999,999	8	8	8	10	5	*	8
$1 Million and over	13	13	8	*	29	11	8
Amount Not Specified	19	21	23	*	19	11	25

*Under 5%
Totals may not equal 100 due to rounding
Source: HBJ Publications Statistical Research Center

Copyright: Beverage Industry November 1983

BI Battleground: Milwaukee

Pabst leads in birthplace of beer

Milwaukee is America's beer town—the birthplace of Pabst, Miller and Schlitz. Milwaukeeans drink about 10 million cases of beer a year.

Miller still brews and is headquartered here; Pabst brews here but moved its HQ to Detroit with Stroh; Schlitz closed; Heileman brews Old Style and Blatz in La Crosse, WI.

Not surprisingly, Pabst leads the pack, and Anheuser-Busch sells barely 4% of the market—one of the lowest A-B shares in the country.

Milwaukeeans favor home-brewed brands, and hold long grudges: Lowenbrau sales have only recently recovered from the anger townsfolk felt when, eight years ago, they accused Miller of marketing Lowenbrau as a foreign beer when it was actually produced right in Milwaukee. Milwaukeeans can't forgive Schlitz for closing what was one of the world's largest breweries and putting hundreds of Milwaukeeans out of work.

Most popular beer package is the can 12-pack, though 12-oz. returnable longneck bottles are popular in Milwaukee. Wholesale pricing averages $7.70 minus the quantity discounts $6.70 on promo. In the store, a 12-pack of Pabst on special will sell for $3.99; a 24-pack for $7.23; and a quarter barrel for $14.99.

Pabst sales began to slide in 1974, partly from tougher competition, partly from a refusal to price promote, and partly because they were tied to the blue-collar image and were losing the youth market to up-and-coming Miller. Now, the decline has leveled off, and Pabst is showing moderate growth again.

One Pabst distributor admitted Miller has done a good job with young adults noting, "The white Lite bottle has paid off. Fifteen years ago, you'd be lucky to find Miller in 40% of the accounts in Milwaukee. Just goes to show you the power of advertising." Miller sales have jumped 48.2% since the Philip-Morris takeover.

Market share of soft drinks

Brand Pepsi	22.1%
Brand Coke	9.5
Brand Seven Up	7.6
Diet Pepsi	4.0
Mt. Dew	3.8
Pepsi Free	3.1
Diet 7UP	3.2
Diet Coke	3.1
Like	2.2
Pepsi Free diet	2.1
Diet Rite	1.7
Crush	1.3
Like sug free	1.1
Dr. Pepper	1.0
Royal Crown	.5
RC 100	.2

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Source: Nielson

Share of market for beer brands

Pabst	24
Old Style	17
Miller	15
Lite	9
Budweiser	7
Jacob Best	7
Blatz	6
Special Export	5
Stroh's	4
Hamm's	3
Old Milwaukee	3
Michelob	2
Red, White & Blue	2
Don't Know	....
Miscellaneous*	8

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Source: The Milwaukee Journal

Old Style, Milwaukee's No. 3 beer, is described by its wholesaler, Federl Distributing as "close to the No. 2 beer in this market." It had good growth from the mid-1970s to about 1981, then came in with a deep promotion program which took Pabst by surprise—at that time Pabst had a no-promotion policy, and basically let Old Style get good marketshare on price.

For Beechwood Distributors, the A-B wholesaler Bud is 65% of business, Michelob 20%, Bud Light about 7%. The best-selling package is the can 12-pack. "Our products are doing very well," commented an A-B representative, "though the hometown brews dominate Milwaukee."

Milwaukeeans drink about 21 million cases of soft drinks a year. Due to the hard winters, beverage consumption dips markedly after summer—65% to 70% of the business is done during the hot months. The mixers however have it better: 7Up's cycle for instance is 60% summer, 40% winter.

Between them, Pepsi and Coke control about 70% of the Milwaukee soft drink market. Pepsi's share is 30% to 40%, Coke's 20% to 30%, depending on what promotion is occurring and what statistics you believe.

Since a "6% Law" limits price-off's at the retail level, Coke and Pepsi do combat at the wholesale level. Pepsi, Milwaukee's leader, has business which is about 75% take home, 15% fountain and 10% cold drink, with about 4000 machines in the field.

Diet Coke is the No. 3 selling beverage, after Pepsi and regular Coke. Pepsi outsells Coke by 5% or 6%, but Coke is gaining.

About 50% of soft drink sales are in 16-oz. returnable bottles. "We estimate we get 90% of the bottles back," a supermarket beverage buyer asserts. □

BI Battleground: Phoenix

If you can't stand the heat get out of the desert

Phoenix is the hottest beverage market, and that's not just because the sun shines 86% of the year.

The population in Phoenix is growing rapidly, and is expected to increase 63% by the year 2000. The unlimited potential of Phoenix has led to what may be the most vicious, prolonged dealing and discounting of any market in America in every segment except bottled water. The market barely dips come winter – because temperatures don't drop below 60 degrees.

"For the past five years Phoenix has been worse than Los Angeles," marvelled one soft drink executive. "Pepsi has changed management here twice in the last 18 months; Seven-Up averages once a year. Coke has been pretty stable—its general manager has been on board two years now."

Price cutting is deep; according to one buyer, a six-pack of brand soft drinks is priced at $1.29; 12-packs at $2.58. The latest prices are still 15% to 20% below cost.

One rumor circulating in the market is that on paper, Coke and Pepsi lost in the neighborhood of $3 million apiece in Phoenix last year. Coke responded that due to deep discounting and operation at the break even point, "we have not met our profit objectives." Pepsi sidestepped: "As a company, we make money."

Consumers follow the deals: more than a third (36%) of Phoenix consumers are loyal to whatever store has the lowest prices that week, according to the annual Phoenix market study, "Inside Phoenix 1983." "Soda sells so low here, a third, maybe half of all the gas stations in Phoenix buy all their soft drinks at the supermarket," remarked a bottler.

"RC has a low price profile here," said one soft drink manager. "I don't know another market in the U.S. where RC can sell at price parity with Coke or Pepsi. RC's price image is lowball—99-cents for two liters, $1.29 a six-pack.

With weak store loyalty, whoever has the soda ad that week gets the business. Coke and Pepsi dominate the retail store promotions. "When Seven-Up gets a major ad, we have to share with RC," said a Seven-Up executive. "It dilutes market penetration and the strength of the ad for both of us."

In the past 18 months, the Phoenix beer segment has been prey to the same deep-discounting affecting the soft drink market. And it may have changed the face of American beer wholesaling forever. The first results have been disastrous: one of the town's major distibutors has run itself out of business.

Until they filed for Chapter 11 in February, Phoenix Distributing (P.D.), which handles Heileman, Hamms and Olympia products, was selling four million cases a year.

Before going under, P.D. was selling Old Style as a price beer; everywhere else in the country it was selling as a premium beer—selling near Bud at $4.99 a 12-pack. Retailers were offered a "Buy One, Get One Free" deal on cases of Old Style; later, with pick up (from the dock) allowance, retailers could get 250 or more cases as low as $6.20 a case. Simultaneously, newspaper coupons allowed consumers to buy six-packs at $1.29, 12-packs at $2.59. By the end of 1983, P.D. had built Old Style into 2.6 million cases a year. But over half its sales were locked in at a price where they couldn't make any money.

Wholesalers "bit the bullet" through P.D.'s pricing strategies.

According to one chain super-

Share of market by beer brands

Brewery/ Brand	Share of market
A-B	**41.0%**
Bud	28.0%
Bud Light	5.0
Michelob	5.0
Mich Light	1.5
Miller	**21.0**
Miller Lite	10.8
Miller	6.5
Lowenbrau Special 0.9; Dark0.2	1.1
Meisterbrau	.2
Miller Special Reserve	.1
Coors	**21.6**
Coors	17.1
Coors Light	4.4
Heileman	**7.8**
Old Style	6.7
All Others	**1.1**

Share of market by soft drink brands

Brand	Share
Pepsi	23.0%
Coke	15.0
7Up	5.0
Like	1.3
Royal Crown	2.2
Corporate (all products)	**Share**
Pepsi Co.	32.2%
JTL Coke	33.0
Seven Up Co.	6.3
Kalil Btlg.	7.0
Private Label	18.5

market beer buyer, "People buy whatever's on ad. We advertise beer every other week—Old Style, Hamms, Old Milwaukee—and over half of consumers buy on price only. There's some brand loyalty. But the market is changing fast from buying national brands to buying price beers."

The idea of price beer makes wholesalers particularly nervous when they think of future possibilities. "If A-B (number one seller) comes out with a price beer, it's going to be the soda wars all over," remarked one distributor.

Overall, promotions keep Miller and Coors volume up in the number two and three positions respectively.

The bottled water industry is immune to the price cutting of the beer and soft drink markets. Consumers here perceive tap water as unhealthful, even if it is clean.

The water industry averages a healthy 6% growth rate. Largest water customers are homes and businesses which use coolers and five-gallon jugs. □

BI Battleground: Houston, TX

Coke, Miller Lite are no. 1 in this free-swinging market

The parched folk in this year-round warm-weather market guzzle 129.5 million gallons of soft drinks annually—60% in summer, 40% in winter. That works out to 37.5 gallons for every man, woman and child in Houston. This Texas-sized thirst applies to beer too. Houstonians consume 34-to-36 million cases per year, making Houston America's No. 1 per capita beer consumer and barrelage buyer. Not surprisingly, wholesalers compete fiercely for this market.

Houston is a major brand market—both in soft drinks and beer, with strong favorites. Coke "owns the town." In combined take-home, fountain and cold drink sales, it controls nearly 75% of the Houston metropolitan market.

Pepsi, which owns barely 10% as many vending machines as Coke, sells mostly to the take-home and fountain segments, and holds around 15% of the market. Dr Pepper, a native Texan is stronger into cold drink sales, with 25% as many vendors as Coke, does solid business in fountain and take-home and accounts for about 12% of the market. Seven-Up gets most of the 5% that's left over, having no vending operation and being outsold two-to-one by Coke's Sprite—which was born as a flavor line right in Houston here 30 years ago.

Bottlers explain that deep discounting and traditionally low

Houston demographics

Income Amounts	% of wage earners
$10,000-$19,999	19.7%
$20,000-$34,999	31.1%
$35,000-$49,999	21.3%
$50,000 and up	14.0%

Age group	% of population
18-24	13.5%
25-34	20.9%
35-49	18.5%
50+	18.1%

Race	% of population
Caucasian	72.8%
Black	18.2%
Asian	1.7%
Am. Indian	0.2%
Other	7.0%

Age group	% male	% female
15-19	50.8%	49.2%
20-24	50.4%	49.6%
25-34	51.3%	48.7%
35-44	51.2%	48.8%
45+	50.1%	49.9%

wholesale prices from the majors have effectively limited market share of house brands and Shasta to no more than 5%.

Generally in the Houston market, regular, sugared soft drink products outsell diet/sugar-free products which outsell no-caffeine products. The diet segment is popular with the affluent and health conscious—a class which includes most Houston citizens.

Through 1986, Houston is expected to be the second fastest growing area in the country, behind Phoenix. And there is no other market like Houston for beverages: More than 40% of the population share regular and light beer demographics—active 25 to 29 year olds. Another 40% of the population sit in the lap of soft drink demographics—active and under 24. Less than 20% of the population is over 50.

The stakes in the beer market are high, and again, a major brand favorite stands out. Miller Lite dominance is unique in that Houston is the only urban market in America where a light beer dominates.

Exact market share figures conflict, since there are three Miller distributors, three A-B distributors, seven Coors distributors, and several independents, all of whom market to different territories within the Houston metropolitan area. The only agreement the figures reach is that Miller Lite's share is nearly a third of the market. Its nearest competitor, Bud, is at least seven share points behind and trailing another 10 points back are Miller High Life and Michelob (tied for third), Coors (fourth) and Bud Light and Stroh's (fifth). Pearl, Lone Star, Stroh's, Pabst, Heineken, Molson, Tecate, Moosehead and the imports share what's left.

Pricing of domestic beers is competitive. For instance, six-packs of Coors 12-oz. cans are priced around $3.29 in liquor and convenience stores, $2.79 in grocery stores. Miller Lite 12-packs run $5.99 in liquor and convenience stores, $5.79 in supermarkets. Premium beers are priced about 20 cents below that.

Marketing of beer is more strictly confined in Texas than other states without state-owned liquor stores. Beer marketing relies on national advertising, buying local ad space to keep the brand names before the consumer and working with the trade.

If trends in Houston continue, the beverage market will remain a mostly white-collar market, dominated by major soft drink and beer brands. □

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BI Battleground: St. Louis

Pepsi, A-B's Busch are No. 1 brands in the competitive 'Gateway' market

It is fitting that A-B's Busch commands a phenomenal 65% share of the off-premise and a 90% share of the on-premise sales in St. Louis. This is the home of Adolphus Busch, co-founder of A-B, America's first national brand. "St. Louis doesn't choose one beer for lack of alternatives," said one local. "This is Anheuser-Buschville."

"One out of every 10 people here is connected, through employment or family, to the brewery."

This is an extremely price-competitive market, according to wholesalers and retailers. A six-pack of Busch on special sells for $2.29; a 12-pack of Bud goes $4.59; a 12-pack of private label beer at 905, a local store sells for $2.99.

Brand loyalties prevail; David Kay, president of 905 Party Centers commented, "There is a popular misconception that beer on special will draw supermarket traffic. We've found that the person who shops 'pennies-off' beer amount to 10% or less of the buying public. The other 90% shop for convenience, choosing their favorite brands (see chart).

The only other brewery in the area, besides A-B, is Heileman-owned Carling Brewing Co. Among its brands is Stag, a local favorite that ranks third in sales behind national A-B and Miller brands.

In population, St. Louis is now the nation's 14th largest metro area and is expected to grow at a gradual 2.1% through 1986.

It's a competitive, surprising town on the soft drink side—nearly 80% of all soft drinks are sold on discount—16 oz. returnable 8-pack bottles go on special at $1.69; national brand 2-L goes for as low as $.89 (RC/Dr Pepper) and $.95 (7Up/Like).

The dominant flavor here is cola, and Pepsi-bottled products account for nearly 39% of all sales. Brand Pepsi holds nearly a 25% share.

One of the surprises in this market is that Pepsi achieves its dominance with off-the-truck sales. No pre-sell. No tel-sell. And it's not alone. Seven Up does the same. Mid-Continent, multibrand bottlers of RC, Dr Pepper, Canada Dry and others reports it is making tel-sell/pre-sell work. So are the warehouse-delivered brands: Vess, Faygo and Shasta. Coke holds a moderate edge over Pepsi in vending—each with 10,000 machines in the field. Pepsi's are in prominent locations: supermarkets, filling stations. Coke's are less prominent in industrial parks and offices.

Another surprise in this market is the strength of private and local labels here: some 36% of all soft drink sales. Locally-grown Vess soft drinks account for a third of that figure.

Mid-Continent has a 13.3% share of the market, up 5% from 1982. Coke is slightly edged out of the second place spot with a take-home market share of 12.9% and 8% share of metro soft drink sales.

In St. Louis, though cans and 2-L bottles dominate the soft drink market with some 80% of sales, returnables still command a decreasing, but significant share, currently at 16%.

Coke suffered market setback when it did away with its returnable packages.

"Coke made the right move," said one executive. "It was just at the wrong time."

The ownership and management changes also strain Coke's competitive edge. In a close knit market like St. Louis, the lack of consistency and spirit the changes bring on is painfully obvious. □

Beer sales by outlets

Supermarkets	40%
Liquor stores	25%
Bars/restaurants	25%
Clubs/other	10%

Share of market by brands

A-B brands	64.5%
Miller brands	12%
Stag	7%
Coors	4.5%
905	4%
Imports*	1%
Others**	7%

*Heineken is number one; Molson is number two and Moosehead, Beck's and St. Pauli are tied for number three.
**Includes Heileman, Stroh, Pabst, Schlitz, Oly, Falstaff

St. Louis:

- Ranks 10th in U.S. beer consumption.
- 2.95 million barrels (91.4 million gals.) of beer consumed.
- Wholesale value of beer consumed is $295 million.
- Per capita consumption of beer is 54.4 gals.[1]
- Ranks 15th in U.S. soft drink consumption.
- Approximately 50 million cases (111.8 million gals) of soft drinks produced.[2]
- Wholesale value of the soft drinks consumed is $287 million.
- Per capita consumption of soft drinks is 47.5 gals.

[1]Based on population 18 and over.
[2]Does not include product produced elsewhere but trucked into the market.
Source: Beverage Marketing Corp.

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